

QUARTERLY TECHNICAL PERFORMANCE REPORT NO. 5

Period covering January 1, 200 – March 31, 2006 (2nd Quarter of FY 2006)

Transparency, Anti-Corruption and Accountability Program
Task Order Number DFD-I-03-03-00139-00

GUATEMALA, PANAMA, NICARAGUA AND EL SALVADOR

Submitted to:

CARLA AGUILAR Multi-Country CTO

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A. EXECUTIVE SUMMARY

This quarterly report covering the period October 1 through December 31, 2005, is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Transparency, Anticorruption, and Accountability Program (T/AC) and includes the individual reports for Guatemala, Panama, Nicaragua and El Salvador.

During the reporting period the overall T/AC Program in the four countries has continued to move forward and achieve increased progress at a faster pace, particularly with the approval by USAID of the Work Plans for El Salvador and Nicaragua picked up significant pace in the participating countries. At the same time, USAID has announced significant budget cuts for Panama and El Salvador, which will bring about the need for changes/adjustments, specially in these two Programs. It is expected that during the next reporting period USAID will issue an RFTOP requesting C&A to develop proposals containing revised country specific annexes for all participating countries. During the reporting period, the T/AC Program already initiated consultations with the USAID CTOs to arrive at a mutually agreeable redefinition of the country annexes based on the new budget realities.

Following is a brief summary (highlights), by Sub Intermediate Result (Sub IR), of the country-specific progress that has been achieved during the reporting period:

1. GUATEMALA

Sub IR 2.1: More transparent systems for management of public resources by the national government

- As part of its support to the Office of the Presidential Commissioner for Transparency and Anti-corruption, the T/AC Program extended the contract for the consultant that is providing assistance in the organization of the XII Transparency International (TI) Conference to be held in Guatemala in November, 2006.
- The T/AC Program supported the design of the XII TI Conference logo and web page. The web page is presently under construction and it is expected to contain relevant information for potential participants and interested individuals, governments and organizations worldwide.
- In an effort to implement a recently issued Presidential Decree on Free Access to Information within the Executive Branch, the Program supported a series of training courses for approximately 100 public servants in the Executive Branch. These courses were developed and carried out by the Instituto Nacional de Administración



Patricio Maldonado, COP during the opening of the training

Pública (INAP) in coordination with the Office of the Presidential Commissioner for Transparency. The public officials trained learned how to implement the Presidential Decree in their respective ministries and institutions.

- The above-mentioned Presidential Decree, which was enacted as a result of T/AC Program support and policy dialogue, included a mandate for Cabinet Ministers and heads of GOG agencies to present, during the first quarter of each calendar year, a report containing their accountability for the use of the public resources entrusted to them. During the week of March 27-31, which was called "Transparency Week", all high level GOG officials presented their accountability reports. The T/AC Program is collecting these reports for dissemination among interested individuals and institutions.
- Through a contract with the Ecuadorian Chapter of Transparency International, the Corporacion Latinoamericana de Desarrollo (CLD), the T/AC Program is providing technical assistance to the Supreme Court of Justice to develop and implement a strategic plan and agenda to implement IACC commitments within the area of responsibility of the Judicial Branch A first visit by CLD experts took place during the reporting period and a preliminary report has been delivered to the Judiciary.
- With T/AC Program Support, the Centro de Investigaciones Económicas Nacionales (CIEN), the civil society organization that developed the Budget Transparency Index for Guatemala, organized a series of focus groups to disseminate the contents and scope of the index and to discuss possible areas of public policy reform to improve budget transparency in Guatemala.
- Through a Grant from the T/AC Program, the Fundacion DESC/Accion Ciudadana developed a research document entitled "Discretionary Spending, key actions to gain transparency". The document has generated a considerable amount of interest within the general public, the GOG and the media. For example, the local newspaper "El Periodico" published and analyzed the results of the study in a series that came out during several days. The analysis conducted by "El Periodico", has contributed to a better understanding by the Guatemalan community at large about the issues (windows of opportunity for corruption) involving discretionary spending and the political use of the existing social funds. For example, the GOG has already indicated its desire to redesign the whole concept of social funds in order to make them more transparent and focused in their social objectives. The T/AC Program anticipates that during the next reporting period it will be approached by the GOG and civil society to provide technical assistance in revamping and making transparent the social funds, and thus the main source for discretionary spending.
- The T/AC Program awarded nineteen scholarships to the National Congress and COPRE to fund participants from these institutions in an OAS online training course on E-government to be conducted during April/May, 2006. Seven participants belonging to the National Congress and the office of the Presidential Commissioner

for Modernization will identify the remaining 12 participants from among different GOG institutions.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

 The T/AC Program has maintained several coordination meetings with other USAID Programs on the subject of social auditing at the local level. A new document (guide) on social auditing is being developed by the T/AC and PGL Programs of USAID.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

- The T/AC Program Technical Committee has reviewed and decided on several proposals from civil society organizations, such as those presented by Centro Internacional de Investigaciones en Derechos Humanos (CIIDH), TILAC, CentraRSE, Doses and Accion Ciudadana, among others.
- Acción Ciudadana organized a forum to present and publicly discuss the social audit it conducted with T/AC Program support on a major GOG procurement of medicines. The Ministers of Finance and Health were present along with representatives from the interested private pharmaceutical companies.
- The T/AC Program was actively engaged in the development of an Action Plan to promote a Good Governance Program in the private sector. This is an effort that is being jointly undertaken with the American Chamber of Commerce, CentraRSE, Chamber of Commerce, Chamber of Industry, Itsmo University, Asociacion de Gerentes, AMCHAM and Empresarios Juveniles, among others. This is part of an effort that will lead to the introduction of business ethics codes within the Guatemalan private sector.

D. SUB IR 2.4: Accountability of elected and appointed officials approved

• The T/AC Program is presently coordinating with other donors (UNDP) and civil society organizations regarding its role in the implementation of the Probity Directorship Action Plan within the Office of the Comptroller General.

2. PANAMA

Sub IR 2.1: More transparent systems for management of public resources by the national government

- § Assisting the Executive Secretariat of the National Anti-corruption Council in finalizing the preparation and launching of its plans and projects. The Program was instrumental in designing a project on "Lessons Learned and Best Practices" that the Inter-American Development Bank agreed to fund. A second project, on "Transparency Indicators in Panamanian Public Agencies" is likely to be sponsored by the UN Development Program.
- Drafting a proposal, to be presented to the Supreme Court, which seeks to prevent, detect and punish corruption in the Judiciary. The project has four specific objectives: a) identify preventive actions and penalties at the domestic and international levels to tackle corruption in the Judiciary; b) detect institutional weaknesses and best practices among users and members of the judicial system; c) present a plan of action for fighting corruption in the judicial branch, and d) monitor compliance with activities under the Court's integrity/anti-corruption plan and assess their impact.
- Assisting the drafting and launching of the strategic plan of the Office of the Comptroller General. The Program coordinated with the Office of the Comptroller General to carry out next quarter several activities in regards to its implementation, such as a series of workshops on teamwork and leadership skills development for high level officials, the creation of a public works auditing unit, courses on fraud and public revenues auditing, and technical assistance to streamline the functioning of the General Audit Directorate.
- § Setting up an agenda of meetings for the Comptroller General of Panama in connection with his upcoming trip to Washington, DC on May 7-10. At the request of the U.S. Embassy in Panama, the Program arranged meetings for him with the U.S. Comptroller General, the Inspector Generals of USAID and the Department of State and World Bank and Inter-American Development Bank Officials whose functions relate closely to those of Supreme Audit Institutions. The meetings are intended to expose the Comptroller General to best practices in government auditing and, potentially, securing support from U.S agencies or international organizations in the form of training and/or IT solutions.
- § Completing a training program in government procurement oversight for the Office of the Comptroller General, which included a master training course. The course is expected to be replicated nationwide by the trained facilitators in benefit of all 700 pre-control officials.
- S Designing and organizing, in conjunction with the Attorney General's Office, the World Bank and 19 entities in nine different countries, a virtual encounter of Chief

Public Prosecutors entitled "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders". In addition to all six Central American Attorney Generals, 390 participants in nine viewing sites (El Salvador, Ecuador, Guatemala, Chile, Honduras, Nicaragua, Costa Rica, Panama, and the US) viewed the event simultaneously. They included, among other participants, law enforcement officials, judges, members of anticorruption commissions, civil society representatives and journalists.

S Conducting an assessment of the three Anticorruption Public Prosecutors' Offices (*Fiscalías Anticorrupción*) and presenting recommendations to streamline their performance. In response to the Program's suggestion, the Attorney General created a Coordination Committee that will oversee the execution of our recommendations. Some of the suggested reforms have already taken place.

Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizens' needs.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making.

- § Completing, through the small grants program, a draft Penal Code that includes a specific chapter on "Corruption Crimes". The draft code regards several types of corrupt actions as felonies in accordance with international anti-corruption conventions.
- § Leveraging funds with the Embassy of Canada to co-fund a proposal submitted by Alianza Ciudadana to monitor compliance with the recommendations issued by the State Commission for Justice Reform.
- § Providing partial assistance in the development of the Panamanian Association of Fraud Examiners (APEF), a non-profit organization created to produce and disseminate specialized information on fraud causes, detection and prevention in different sectors of the local economy.
- § Obtaining financial support from the private sector to fund a government-civil society initiative for the adoption of a new graphic identity for the fight against corruption in Panama.

Sub IR 2.4: Accountability of Elected and Appointed Officials Improved.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

3. NICARAGUA

Sub-IR 2.1: Design and Implementation of Anti-Corruption Framework

On January 27 the Nicaragua Transparency Program awarded a grant to the Fundacion Violeta Barrios de Chamorro for activities promoting citizen demand for and a culture of access to information. Legislation is under consideration by the National Assembly.

Through the support of the Program, CSOs were asked to participate in the preparation of the GON's official progress report to the OAS Committee of Experts.

4. EL SALVADOR

Sub IR 1.1: Improved transparency and efficiency of judicial processes

- § Identifying potential governmental and non-governmental stakeholders to serve as platforms in the promotion of transparency and efficiency in justice processes.
- § Reviewing alternatives to promote coalition-building activities.
- § Interacting with key CSOs and NGOs to promote discussions of key issues, such as compliance with the Inter American and the United Nations Conventions against Corruption, ways and means to measure and monitor transparency in the justice sector and how to build and expand on USAID's previous support efforts.
- § Engaging a number of CSOs and NGOs to promote ideas and activities specifically related to the compliance of the Inter-American Convention against Corruption (IACAC).
- § Designing and organizing in conjunction with the *Foro de Jueces*, a professional association with national coverage and a key training activity on the Inter-American Convention against Corruption, targeting judges.

Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen's needs

Supporting efforts of the Comisión Nacional de Desarrollo Local (CONADEL) in the design and implementation of an action plan in support of strengthening decentralization policies. By working with CONADEL, the TAG Program is also working with RECODEL, a donor network for local governance. A key area of emphasis is the support of the process of passing a new municipal property tax law (*impuesto predial*) as an alternative mechanism to finance local development.

- § Supporting CONADEL in the organization and implementation of a major policy dialogue event on the issue of property tax. Taking advantage of a regional course on property tax jointly being implemented by the *Universidad Centro Americana José Simeón Cañas* (UCA) and the Lincoln Institute of Land Policy from Cambridge, Massachusetts.
- § Drafting a strategy for a rapid assessment on municipal transparency, including topics, stakeholders and potential consultants. The main product of the assessment will be a programmatic framework to help operationalize Title IX on Transparency and Citizen Participation of the new Municipal Code. This product will not only serve the TAG Program as a useful and updated programmatic reference for activities, but also to CONADEL, COMURES, other donors and a network of CSOs and NGOs.
- § Meeting with representatives from COMURES, the main association of municipalities, to incorporate a module on ethics, transparency and leadership.

Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making.

- § Interacting strategically with key CSOs and NGOs, particularly as related to innovative areas, such as transparency in the market and access to information.
- § Reviewing options to promote coalition-building activities. This is a result of the one-week visit of two experts from Partners for Democratic Change (PDC), during which interviews were held with 15 CSOs and NGOs.
- § Engaging business organizations to get them interested and involved in a number of areas, such as compliance with the Inter-American Convention against Corruption, transparency and accountability in small and medium enterprises and social responsibility and ethics.
- § After a successful training process and a transparent call for proposals, received proposals from CSOs and NGOs as part of the First Civil Society Sub-Grant Initiative.

Sub IR 2.4: Accountability of elected and appointed officials improved

- § Presenting to USAID a proposal from IDEA International and *Fundación Arias* to conduct a three-week assessment in El Salvador.
- § Conducting a rapid assessment on internal control an ethics of the *Procuraduría General de la República* (PGR)/Office of the Public Defender to analyze and make recommendations for future technical assistance.

Interacting with more than half a dozen key governmental organizations and programs to plan and delineate possible areas of support, such as the Fiscalía General de la República (FGR)/Office of the Attorney General, Departamento de Reos sin Sentencia/Department of Detainees awaiting Sentence of the Corte Suprema de Justicia (CSJ), Executive Secretary for Legislative and Judicial Affairs of the Presidency, the Presidential Commissioner for the Defense of Consumers,e-Government Program, the Corte de Cuentas de la República/Court of Accounts, the Superintendencia de Pensiones/Superintendence of Pensions and the National Judicial Council/Consejo Nacional de la Judicatura (CNJ).

B. MULTI-COUNTRY ACTIVITIES

Ø Monitoring and Evaluation Plan

The approved M&E Plan is already under implementation in Guatemala, Panama and Nicaragua. These countries are involved in developing/completing baseline data for several indicators in order to be able to present a comprehensive M&E Report towards the end of FY 2006. El Salvador still has to define how it will address this key element for program management.

Ø Gender Action Plan

A similar situation exists with regards to the Gender Action Plan. Guatemala, Nicaragua and Panama have approved the plan and are already engaged in obtaining gender disaggregated data to follow up and measure on gender impacts of appropriate program interventions. El Salvador is still pending definition as to how it intends to address their involvement in the approved GAP.

Ø Multi-country Opportunity Fund

Little progress has been achieved to-date in developing and implementing multi-country activities as defined in the Multi-Country Opportunity Fund. The Program COP continues to work with the country programs in order to move ahead with this key feature of the T/AC Program and it is expected that activities in the areas of political party financing, immunities regimes and gender will be further developed during the balance of the Fiscal Year. It should be noted however that in spite of the fact hat thus far only a Transparency and Anti-Corruption Mainstreaming Workshop for to USAID Missions has been implemented as a multi-country effort, the T/AC Program countries have continued to exchange information, promote synergies, and mutually take advantage of relevant experiences and good practices and of the staff expertise available in each country.

GUATEMALA

Introduction

This quarterly report covering the period January 1 through March 31, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Transparency, Anti-corruption, and Accountability Program (T/AC).

- I. Technical Update
 - i. Key Activities by Sub-IR and LLR for the Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 1 – Strengthened Rule of Law

IR 2 – Greater Transparency and Accountability of Governments

Executive summary:

During the reporting period, the T/AC Program devoted principal time and effort to the implementation of ongoing activities from CY 2005 and the closeout of other activities that were also initiated in 2005. In addition, the program intensified its contact and dialogue with key actors in the public sector, civil society, other donors and the private sector in order to learn more about priorities in the area of transparency and anti-corruption and to be prepared to initiate several new activities during the next reporting period. As a result, several activities are now ready for approval and implementation early in the next quarter with the National Congress, COPRE, Accion Ciudadana, the private sector, the media, etc. It is expected that by June 30, 2006, the Program will initiate these activities and will obligate resources in excess of US\$ 500,000.

The T/AC Program Technical Committee made significant efforts to approve different deliverables resulting from grants and contracts and to review new activity proposals from civil society organizations and the GOG. Some of the deliverables approved included the "National Integrity System", "Discretionary Spending, Keys to gain transparency", "Social Audit on the Procurement of Medicines", as well as documents resulting from Program funded consultancies such as the Access to Information Index methodology and the IACC Degree of Compliance methodology.

At least six grant activity proposals from civil society organizations were reviewed by the Technical Committee. Some of these proposals are being negotiated for implementation during the next reporting period. Requests from the GOG and other public sector institutions have been reviewed and are being negotiated (the National Congress, COPRE, the SCEP), and others are under implementation as is the case of

training activities involving INAP, the Office of the Presidential Commissioner for Transparency, COPRE and the National Congress.

One key event resulting directly from a T/AC Program grant was the approval and publication of the Accion Ciudadana/DESC Report on "Discretionary Spending, Keys to gain transparency". This report has generated an unprecedented level of interest and discussion and has opened the door for further Program activities aimed at revamping the entire concept of social funds and discretionary spending by the GOG. The Program has discussed this document with GOG authorities and with civil society and, as a result, it is expected that USAID will receive a specific request from the GOG for Program assistance aimed at restructuring social funds and discretionary spending in Guatemala.

Another significant event was the "Transparency Week" implemented by the GOG during the week of March 27-31. Throughout this week, Ministers and high ranking GOG officials heading government institutions publicly presented accountability reports explaining how they had used public resources entrusted to them. The accountability reports are mandated, for the first quarter of every calendar year, by a Presidential Decree signed in December, 2005 on free access to information within the Executive Branch. This Decree was, in turn, the result of active T/AC Program policy dialogue with the GOG and, more specifically, with the Office of the Presidential Commissioner for Transparency and Anti-corruption. President Berger personally led this effort through the presentation of an accountability report on the GOG Reconstruction Program in early January.



Participants during the "Donors Table" meeting

USAID, with T/AC Program support, led an effort to formalize a "Donors Table" among bilateral donors and international agencies to share information, coordinate efforts in areas of common interest and promote a transparency agenda towards the XII Transparency International World Conference to be held in Guatemala in November, 2006. The "Donors Table" has already met twice during this quarter and will meet on a monthly basis with the participation at least 12 different agencies.

The T/AC Program is already sharing with the donor community some of the documents, studies and methodologies that have been developed with USAID support.

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented

Internal and structural weaknesses in the Office of the Presidential Commissioner for Transparency and Anti-corruption have prevented thus far any significant progress in the development and dissemination of a national anti-corruption strategy. The T/AC Program is exploring alternative avenues within the GOG to promote the development of such a strategy, particularly taking into account that Guatemala must address this issue in preparation for the XII TI World Conference to be held in Guatemala City towards the end of the year 2006. During the next reporting period, the T/AC Program anticipates that it will be in a better position to have a direct intervention in the development of the national transparency strategy as new and stronger GOG actors demonstrate interest and concern about the lack of a coherent anti-corruption strategy. While the T/AC Program finds a suitable and more committed interlocutor to address the strategy, it has continued to provide support to the GOG, particularly in the organization of the TI Conference.

For example, in support of the Office of the Presidential Commissioner for Transparency and Anti-corruption, the Program extended the contract of consultant Ana Isabel López who is providing technical assistance to the Office of the Presidential Commissioner in the organization of the XII Transparency International (TI) World Conference. The consultant is fully involved in the organization of the Conference and has been a key person in ensuring the progress achieved to date. The consultant, working jointly with United Nations Development Program (UNDP) in Guatemala, developed the terms of reference to contract a private company to take care of the complex logistical arrangements for the conference. A public and open procurement process was announced by UNDP on March 8th and the selected company is expected to be contracted during the month of April.

During this quarter, Roberto Pérez Rocha, the TI Berlin representative in charge of the XII TI World Conference, and Manfredo Marroquín, Executive Director of the TI Local Chapter and co-organizer of the Conference, held meetings with USAID officers and the T/AC Program to share details regarding the organization of the event. The GOG issued a Presidential Decree on February 23rd creating the XII TI World Conference

Organizing Committee, which is formed by representatives from the Office of the Presidential Commissioner for Transparency, the Ministry of Foreign Affairs, Ministry of Finance, Public Relations Secretariat, and the Office of the Presidential Commissioner for Modernization, (COPRE). The Commissioner for Transparency chairs the Committee and members of his staff act as the Secretariat. The Committee can call upon other representatives from



governmental or non-governmental institutions in order to support the organization of the Conference. The T/AC Program has been invited to participate as a permanent member/observer of the Committee and already attended the first official meeting that took place on March 17th.

With regards to the Conference, it should be mentioned that the T/AC Program supported the design of the XII TI Conference logo and web page. The web page is under construction and it is expected to provide all the necessary information to potential participants. The XII TI Conference will be held in Guatemala City on November 15-18, 2006.

The Stan Storm in October opened a window of opportunity for the T/AC Program to provide technical support in the development of a GOG Transparency Plan for the Stan Reconstruction Program. While some of the transparency activities proposed in the plan are being implemented, the T/AC Program has maintained a series of contacts with GOG officials to push for its full implementation. The GOG response, principally from the Office of the Presidential Commissioner for Transparency, has been weak, and as a result the President has decided to retract leadership of the Reconstruction Program from the Office of the Vice-President. The Program will continue to approach the new reconstruction management in order to achieve the desired results.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

After the release of the IACC Recommendations and its dissemination, the Program visited the National Congress Transparency Commission to advocate its implementation, especially those recommendations that are related to the Office of the Comptroller General. During the next quarter, a letter of understanding between the Coalicion por la Transparencia, the National Congress Transparency Commission and Office of the Comptroller General will be signed to support necessary changes in this key institution.

The T/AC Program has supported the implementation of the recently signed Presidential Decree that regulates free access to information within the Executive Branch. The Decree has the main objectives of: providing free access to public information to any person through simple procedures; making the public system more transparent through the timely dissemination of relevant information, and; facilitating the accountability of public officials within the Executive Branch. During the reporting period, the Presidential Commissioner for Transparency promoted two main activities to implement the Presidential Decree: a) training of public sector officials at the National Institute for Public Administration (INAP) to provide them with the necessary tools to address requests for information from the general public: and, b) the implementation of a Transparency Week in which high level officials from the Executive Branch publicly presented their accountability reports summarizing how they have used public resources.

As stated above, the T/AC Program supported the training of public officials at INAP. The first series of training sessions were divided into two groups, 50 participants each, during the month of March. Some of the institutions that sent participants included the Office of the Vice-president, Ministry of Economy, Ministry of Defense, Ministry of Foreign Affairs, Ministry of Health, Ministry of Communication and Ministry of Finance,



At the National Palace delivering the Access to Information Training Diploma to participants

among others. Seventy-eight participants obtained their diplomas during this first phase. Additional training programs are presently being planned by the Presidential Commissioner for Transparency and INAP.

For the first time in Guatemala during the "Transparency Week", more than 37 high level GOG Officials publicly presented their Accountability reports on the use of public resources. These reports included a complete account of how funds were used during CY 2005.

The Program has collected the presentations and is making them available to interested parties.

Accion Ciudadana (AC), through the "Promoting Transparency" grant, developed the methodology to elaborate a map of indicators that will track Government compliance with IACC commitments. Likewise, AC developed a methodology document containing qualitative and quantitative indicators that will assist in measuring the progress in free access to information in the country. Guatemala baselines for both indicators will be developed during the following months after the Program Technical Committee approves a new grant proposal from AC.

The Program Technical Committee has also received a grant proposal from Accion Ciudadana and the DOSES Foundation that is designed to advocate the passage of the Access to Information law that is presently before the National Congress. The Technical Committee has requested some clarifications to the proposal and it is expected that during next quarter both institutions can initiate the proposed advocacy activities towards the approval of the law.

As a result of the Letter of Understanding signed between the Judiciary and USAID during the previous reporting period, the T/AC Program is providing support to the Supreme Court of Justice to develop a strategy and work plan to implement IACC commitments within the area of responsibility of the judicial branch. To this effect, the Program contracted the services of Corporación Latinoamericana para el Desarrollo – CLD-, an Ecuadorian organization. During the reporting period, Christian Bahamonde, CLD Executive Director traveled to Guatemala to work with the Supreme Court and other institutions to evaluate the status of IACC implementation within the Judiciary, identify the key actors to take part in the action plan, and to collect information to elaborate the draft action plan.

The CLD counterpart in the Judiciary is Magistrate Gilberto Chacón Torrebiarte, with whom both the Program and CLD discussed the principal lines of action for this activity. CLD's first evaluation report discusses progress to date as well as pending issues. A second and final visit by CLD is planned for the latter part of April or May, when the final Strategy Action Plan will be delivered.

LLR 2.1.3: Improved national government budget transparency, management and execution

The Centro de Investigaciones Económicas Nacionales (CIEN), the civil society organization that elaborated the Budget Transparency Index for Guatemala, conducted a series of focus groups aimed at achieving a better understanding of the contents of the index and discussed recommendations for public policy reform to improve budget transparency in Guatemala. The index contains what is basically the baseline information needed to measure progress by Guatemala towards improving budget transparency. CIEN has closed the grant and it is expected that they will send another grant proposal in order to carry out activities aimed at attaining improvements in the established baseline.

The Program, through the Fundacion DESC/Accion Ciudadana grant, approved the "Discretionary Spending, key actions to gain transparency" research study. The results of the study were extensively covered by the media as was the case of the newspaper El Periodico, which for several days reported on and analyzed the results of the study. The media coverage has undoubtedly helped the general public to better understand the issues associated with politicized social funds and discretionary spending and the opportunities for open corruption associated with these funds. Some of the findings of the report establish that in Guatemala around 40% of the public spending is highly discretionary and vulnerable to use for private gain, particularly in the area of social investments. The main problems encountered deal with the procurement system, the nature and scope of private trust funds contracts, and the national or international NGO agreements to manage funds. The GOG is taking this research study very seriously and it is anticipated that during the course of the next reporting period, USAID will receive from the GOG a specific request for technical assistance by the T/AC Program to redesign and make more transparent the overall concept of social funds.

As an issue that is closely associated with the conclusions of the study mentioned above, USAID received a request from the Secretaría de Coordinación Ejecutiva de la

Presidencia (SCEP), to contract Accion Ciudadana (AC) to examine the management of the "Programa de Apoyo Comunitario Urbano y Rural (PACUR)", and present a technical proposal to redesign PACUR in order to ascertain its transparency and accountability. During CY 2005 PACUR received several allegations of corruption and political patronage in the use of its resources. The SCEP, who is responsible for PACUR, now wants to revert these perceptions Signing of PACUR agreement with



Manfredo Marroquin

and is making a commitment towards transparency in the management of public resources. USAID and the Program are in the process of reviewing and deciding on support to the SCEP proposal. The outcomewill be part of the next quarterly report.

LLR 2.1.4: Systematic Government deficiencies identified and addressed in key line ministries

The reports mentioned under LLR 2.1.3 are also related to this LLR. On the basis of such reports, the T/AC Program is working very actively in furthering a reform agenda aimed at improving transparency in key areas.

The National Integrity System (SNI) developed by Accion Ciudadana was presented to the general public in an open forum that took place in January 2006. It represents a unique tool that projects the actual situation within a wide range of public sector institutions and lays out the areas in which anti-corruption activities need to be focused. Based on the results of the SNI, Accion Ciudadana is working on the National Transparency Policy Reform Agenda which the T/AC Program is willing to support starting in the next reporting period.

During February and March, the T/AC Program has worked with the Comisión Presidencial para la Modernización y Descentralización del Estado (COPRE) in the development of two very important activities, as follows: 1) a process of incidence and policy dialogue to promote the approval of a GOG proposal to the National Congress that contains substantial reforms to the existing Procurement Law aimed at improving transparency in this key area, and 2) an activity to address petty corruption through bureaucratic simplification assessments in two or three key GOG agencies and the implementation of new procedures to reduce windows of opportunity for administrative corruption. It is expected that both activities will be initiated during the next quarter.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

The corruption perception and experience index (IPEC) was developed and carried out by Accion Ciudadana (AC) through a survey that was based on the experiences and methodology of the Mexican TI Chapter. The survey incorporated gender analysis and gender integration concepts, and AC is presently reviewing the results of the survey to establish baseline data and to design a public education campaign.

The OAS, in association with other organizations, launched an online training course on E-government to be held during April/May. During the month of March, the T/AC Program agreed to finance nineteen participants to this course. Seven participants belong to the National Congress and twelve participants from different GOG agencies will be selected by COPRE.

The course is entirely online and participants will have support of specialists that will provide guidance and advice during the 7-week course. It is expected that this training will help participants to learn more about the advantages of e-government as a modern and transparent tool for public administration.

LLR 2.1.6: Key oversight agencies strengthened

During the reporting period, the T/AC Program has been actively engaged in contact and dialogue with several key actors within the public sector who have different levels and scope of oversight responsibilities. The institutions contacted by the Program include the National Congress (Legislative Branch), the Presidential Commissioner for Transparency (Executive Branch), the Coordinator of the Justice Sector Transparency and Anti-Corruption Commission (Judiciary Branch), and the Probity Directorship of the Office of the Comptroller General (OCG). The purpose of these contacts has been the identification of potential areas for Program interventions during the very near future.

For example, the National Congress is presently discussing its priorities for 2006 and will soon let the Program know about the principal in which they will need technical support. The T/AC Program has also approached Congressional committees such as the Probity and Transparency Committees to learn more about their activities and offer the technical assistance opportunities that the Program can provide.

The Transparency Commission expressed interest in improving on its mandate to carry out oversight of the Office of the Comptroller General, and, as an initial step, will renew a letter of understanding (LOU) that was originally signed in 2004. This LOU is an agreement between civil society, the Congress and the Office of the Comptroller General to strengthen the capacity of the OCG to fulfill its mandate.

With regards to the OCG, the T/AC Program is waiting for the completion of an assessment of the Office of the Comptroller that is being conducted by Coalicion por la Transparencia with UNDP financing. This assessment is expected to identify the specific interventions that are required to improve the operation of the OCG. The T/AC Program will play a role in the implementation of the recommendations of the assessment and will coordinate with UNDP and other actors in order to provide technical assistance to the Probity Directorship of the OCG.

In the month of January, the T/AC Program provided limited administrative and logistical support in a videoconference involving Attorney Generals and other participants from El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica to discuss positive and negative experiences in dealing with corruption cases in these countries and also from Chile and Perú. This activity was the result of an initiative of the Attorney General of Panama and the T/AC Program in Panama.

The T/AC Program has continued to maintain a permanent dialogue with COPRE in an effort aimed at organizing in Guatemala a follow-up conference to the Good

Governance Forum that took place in Mexico in November, 2005 attended by 14 Guatemalan participants. The idea is to explore opportunities for public policy reform in such areas as administrative corruption, civil service and public employees letters of commitment, among others. It is anticipated that dates, agenda and the cooperation from the Mexican Government will be finalized during the course of the following reporting period.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

The T/AC Program has maintained several coordination meetings with other USAID Programs on the subject of social auditing at the local level. A new document (guide) on social auditing is being developed by the T/AC and Decentralization and Local Governance Program of USAID.

In addition, the T/AC Program will organize a workshop to deliver and validate with civil society groups a document containing a list of organizations working on social audit obtained in a previous workshop from a former Transparency Program, and the new social audit guide.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

During the first quarter of 2006, T/AC Program established contacts with several CSO and other private sector stakeholders to identify and delineate new ideas for Program interventions and/or support. Several activity proposals from civil society organizations have been received and reviewed by the Program's Technical Committee. For example, DOSES and Accion Ciudadana have joined efforts to propose an activity aimed at lobbying for the passage of Freedom of Information legislation that is presently before the National Congress and Coalición por la Transparencia (Accion Ciudadana, Cámara de Comercio, CIEN) has discussed with the Program a proposal to monitor the process for the election of the new Comptroller General to take place in October, 2006.

The social audit of a major procurement of medicines that was carried out by Coalicion por la Transparencia with T/AC Program support resulted in a report that was the subject of a public debate with the participation of the Ministers of Finance and Health and representatives from the interested private pharmaceutical companies. The debate attracted a lot of attention and it is very encouraging that important topics in the area of GOG procurement are brought to the public eye and are publicly disclosed. Another important result that clearly came out of this T/AC Program intervention is that, once

again, it pointed to the need to introduce significant reforms in the existing public procurement legislation in order to improve transparency and accountability.

The T/AC Program supported a Regional Forum on Democracy and Governance organized by the Instituto Centroamericano de Empresas (INCAE) and the Asociacion para el Desarrollo Integral de Centro America (ADICA) through the financing of one keynote speaker from the private sector in Ecuador, Dr. Abelardo Pachano, who made a very good presentation of the Ecuadorian experience in democracy, governance and Former Presidents of several Latin American countries, private transparency. entrepreneurs, politicians and the media attended the Forum. One of the key conclusions that was reached is that the policies promoted as a result of the Washington Consensus, contrary to what was planned, deepened the inequities between the rich and the poor in the region. Most of the panelists concluded that the social gap has increased, poverty has grown, armed conflicts continue, and State institutions throughout the region have been plagued with allegations of corruption. The consensus was that if poverty continues it is because the economy is not working well, the private sector is doing "business" but not "marketing", there is racism and discrimination (including gender discrimination), not enough dialogue, there exists the need for fiscal reforms, and corruption and impunity prevail. The key aspect is that these conclusions were reached not by unionists or left-wing politicians, but by conservative former presidents and business people. The forum ended with a plea for increased awareness of democracy, governance and corruption issues, the increased social responsibility of the private sector and the redefinition of existing policies.

With T/AC Program financing, Accion Ciudadana initiated social audit activities related to the GOG Reconstruction Program. AC has taken steps to establish contacts and a network of partners to implement social auditing and monitoring of the reconstruction in the three Departments (San Marcos, Quetzaltenango, Solola) and twenty Municipalities where it will work. In particular, AC has been heavily involved with the training of local organizations and actors in how to conduct social audits. This activity has the strong support of the GOG.

In turn, the GOG, led by the President and Vice-president publicly presented a Reconstruction Program Accountability Report in early January. This activity was promoted by Accion Ciudadana as part of its social audit responsibilities for the reconstruction. During the presentation, the GOG signed an "Integrity Agreement to Access to Information during the Reconstruction Program", by which the GOG commits itself to deliver periodic accountability reports, openly provide access to relevant information and develop a mechanism to collect and act on complaints made by stakeholders in the regions affected by Stan which are part of the reconstruction



Transparency and Anti-corruption Program team, Accion Ciudadana and USAID officer during the Accountability Report presentation

program. Accion Ciudadana signed this integrity agreement as an honorary witness.

One of the most important developments in this area was the development by the T/ASC Program of a Competitive Fund for Social Auditing, which is aimed at improving and increasing the participation of civil society organizations in the oversight of how the GOG manages public affairs and resources. The USAID CTO approved the Fund which will be implemented during the next reporting period.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

The T/AC Program is taking part in an effort led by the US Department of Commerce which has provided seed funding to the American Chamber of Commerce (AMCHAM), to promote an Action Plan for its Good Governance Program with the Guatemalan private sector. This effort also involves other private organizations such as CentraRSE, Chamber of Commerce, Chamber of Industry, Istmo University, Asociacion de Gerentes and Empresarios Juveniles, among others. The Action Plan is almost ready and activities will commence in late April.



Participants during the Business Ethics workshop

Alona with the above-mentioned organizations, the T/AC Program, through an invitation from AMCHAM, participated, in a workshop on March 7 on the subject of "Introduction to Business Ethics and Ethic Codes". Doctor Philip Nichols, Associate Professor University from the Pennsylvania, was the keynote speaker for this half day workshop. This workshop was attended by more than 50 participants from the private sector.

As a result of the workshop, CentraRSE presented an activity proposal to the T/AC Program. This proposal contemplates Program funding (along with other resources from UNDP) for the elaboration of a Guide on how to develop Ethics Codes, as well as the implementation of three sectoral Ethic Codes for the private sector. The elaboration of the guide and codes are proposed to be accompanied by training, consultancies, dissemination and awareness activities all directed towards the implementation by the private sector of ethics codes to be in place within a one year period. The CentraRSE proposal is presently under revision by this organization to address comments and suggestions made by the Program's Technical Committee and is expected to be resubmitted during the early part of the following reporting period.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

The T/AC Program maintained a regular dialogue with the local newspaper El Periodico. The transparency and anti/corruption director, Sylvia Gereda, who is also a member of the Multi-sector Council for Transparency within the Office of the Presidential Commissioner for Transparency, has expressed strong interest in pursuing activities involving the media that can be supported by the Program.



The first activity presented by El Periodico consists of an open essay contest on the prevention and penalization of corruption in the public sector. This was approved and is already an ongoing activity. The essay contest was put together with support from the UNDP Civil Society Program, Transparency International, Accion Ciudadana as the local TI El Periodico and the Transparency and Anti-corruption Program. The essays will be reviewed and decided on by representatives from several organizations, including USAID and the US Embassy.

Two additional potential activities have been discussed with El Periodico: 1) the promotion of "citizen journalism" to address transparency and anti-corruption issues, and 2) the training of journalists in the area of investigative

reporting. Proposals for these activities will be presented by El Periodico during the next quarter.

The citizen journalism project will promote the active participation of the public at large in denouncing corruption cases as well as in writing articles and/or comments on transparency and anti-corruption issues. El Periodico proposes to promote the idea within the general public and to collect and edit all the pieces written by common citizens and put them together in a magazine that will be published monthly as an annex to the regular issue of El Periodico.

D. SUB IR 2.4: Accountability of elected and appointed officials approved

LLR 2.4.1: Political Party and elected leaders accountability improved

No activities under this LLR were carried out this quarter.

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

The T/AC Program is presently coordinating with other donors (UNDP) and civil society organizations regarding its role in the implementation of the Probity Directorship Action Plan within the Office of the Comptroller General.

Ø List of In-Country Training Events

Activity	Objective	Participants	Date/Place	Comments
1) "Free	To train	Vicepresidencia	From March 20	This training
Access to	participants on	de la	to 24, 2006 and	was developed
Public	transparency,	República,	from March 27	by the T/AC
Information in	rules,	MINEX,	to 31, 2006	Program, and
the Executive	conceptual and	Ministerio de		the Office of
Branch"	operational	Gobernación,	In INAP.	the Presidential
	elements for	Ministerio de la		Commissioner
	free access to	Defensa		for
	public	Pública,		Transparency
	information in	MINFIN,		and executed
	the Executive	MICIVI,		by INAP.
	Branch. This	MINEDUC,		
	effort is a key	MAGA,		
	element in the	MINECO,		
	implementation	Ministerio de		
	of the	trabajo y		
	Executive	Previsión		
	Decree that	Social, MEM,		
	establishes free	Ministerio de		
	access to information in	Cultura y		
	the Executive	Deportes, SEGEPLAN,		
	Branch.	COPRE,		
	Dianon.	CONCYT,		
		CODISRA,		
		FONAPAZ,		
		FONTIERRAS,		
		and others.		
		and outers.		
		Female: 44		
		Male: 56		

2) Diplomatic Career on Transparency and Anti- Corruption	to understand corruption and to present initiatives and experiences that are successfully being implemented internationally to prevent and	February 11, 2006	The T/AC Program fully funded this scholarship, which was implemented by Acción Ciudadana.

ii. Other activities:

Ø Donor coordination

The T/AC Program has supported a USAID initiative to organize a donor coordination group on the subject of transparency and anti-corruption. The first meeting of the group took place on February 9. USAID and the donor agencies and countries represented discussed their respective roles and interventions in transparency and anti-corruption. At the end of the meeting everyone agreed to maintain this group as a permanent coordination body to exchange views, experiences and information in order to avoid duplication of efforts and to promote potential areas of complementation and mutual support. The T/AC Program was assigned the responsibility of acting as the group's Secretariat.

The second meeting of the coordination group took place March 31 and was chaired by the USAID Deputy Director, who presented the USAID Transparency Public Policy Reform Agenda. USAID requested that the donor agencies add other topics of general interest to this agenda and invited them to join efforts to pursue a common agenda for policy dialogue, particularly with the view of implementing key reforms in preparation for the forthcoming XII TI International World Conference.. Donors expressed strong

interest in supporting the policy reform agenda. It was agreed that the coordination group will continue to meet on a regular basis the last Thursday of each month.

The agreed-upon transparency and anti-corruption reform agenda includes the following topics and areas:

- Legislative Branch (National Congress): Approval of 1) Civil Service Law; 2) Access
 to Information Law; 3) Reforms to the Procurement Law; 4) Reforms to the Probity
 Law; 5) Witness Protection Law, 6) Formal deposit of the instrument that ratified
 the UN Convention Against Corruption; 7) reforms to the Electoral Law.
- Executive Branch: 1) Development and implementation of a national anti-corruption strategy; 2) mandatory use of Guatecompras; 3) Implementation of the Executive Decree on free access to information; 4) Implementation of the recommendations of the IACC Committee of Experts; 5) Implementation of the recommendations contained in the USAID funded Institutional Assessments; 6) Expansion of the SIAF/Muni; 7) Publication of GOG audits by the OCG; 8) Police and armed forces "clean up"; 9) Strengthening of the Office of the Attorney General with emphasis on the Anti-corruption Attorney.

The participating agencies also requested a specific presentation of the results of the USAID T/AC Program-funded study and redesign proposal for the GOG Programa de Ayuda Comunitaria Urbana y Rural (PACUR). This specific request will be carried out outside of the regular donor meetings.

iii. Achievements and Obstacles

During the second quarter of FY 2006, the T/AC Program made important progress towards the achievement of the established results. Key areas of progress can be summarized as follows:

Achievements:

• In order to assist in the implementation of the recently enacted GOG Executive Decree on free access to information within the Executive Branch, the Program supported the implementation of training courses for over 200 public sector officials aimed at providing them with the technical and conceptual tools necessary to carry out the mandate of free and open access to public information contained in the Executive Decree. The courses were carried out by the Instituto Nacional de Administración Pública (INAP), in coordination with the Office of the Presidential Commissioner for Transparency. Some of the institutions participating included the Office of the Vice-President, Ministry of Economy, Ministry of Defense, Ministry of Foreign Affairs, Ministry of Health, Ministry of Communication and Ministry of Finance, among others.

- Also, as a result of a mandate contained in the Executive Decree on Free Access to Information, and for the first time in Guatemala, more than 37 cabinet rank and high level GOG officials publicly presented their Accountability reports. These reports included relevant information and a complete account of how public resources were utilized during CY 2005. The reports have also been placed in the GOG web pages and the Program is collecting them for distribution to interested parties.
- Through a grant to Fundacion DESC/Accion Ciudadana, a research study was completed and approved by the Program on the subject of Discretionary Spending, key actions to gain transparency." This study received an unprecedented amount of attention from the public in general, the GOG and the media. For example, El Periodico played and analyzed the results of the study during several days and there is a better understanding now of the weaknesses of social funds as sources of discretionary spending and political patronage and as windows of opportunity for corruption. The GOG has already indicated its decision to reexamine the structure and operation of existing social funds and the T/AC Program is expected to play a role in helping the government redesign these funds to improve transparency and prevent corruption.
- The Program developed the scope and operational guidelines for a Social Audit Competitive Fund that is designed to attain quantitative and qualitative improvements in the participation of civil society organizations in the oversight of how the GOG manages public resources and affairs and to promote public policy reform resulting from social audits. The Fund has already been approved by the USAID CTO and will be implemented during the next reporting period.

Obstacles:

- The lack of definition on the part of the GOG with regards to the development and implementation of a National Anti-Corruption Strategy continues to limit the ability of the T&AC Program to approach program interventions in a more comprehensive and structural fashion. New developments point to a change in this situation and the next reporting period will be critical in obtaining the commitment of GOG authorities to move ahead with a request for Program assistance in this area.
- USAID has informed the T/AC Program about its policy with regards to limiting the direct contact with and writing of correspondence to high level GOG Officials by Program personnel. While the Program will abide by USAID guidance in this and other areas, it should be noted that, given the nature of the T/AC Program which is heavily oriented towards promoting public policy reform, the inability to have direct access to policy and decision makers may be an important obstacle to the achievement of the expected program results.

iv. Planned Activities by each Sub-IR and LLR for the next Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 2 – Greater Transparency and Accountability of Governments

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

LLR 2.11: National anti-corruption/transparency strategy completed and implemented

- Continue supporting the Office of the Presidential Commissioner for Transparency and Anti-corruption demands, especially in the organization of the XII TI World Conference.
- Discuss and coordinate efforts with National Congress Transparency Commission and with Coalicion por la Transparencia for the implementation of recommendations made by the IACC Committee of Experts, particularly those involving the Probity Directorship within the Office of the Comptroller General.
- Assist the Manager of the General Manager within the Office of the President, in the development of a GOG Transparency Action Plan and Strategy.
- Continue to act as Secretariat for the recently formed Donor Coordination group on transparency and anti-corruption.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

- Develop the baseline for the IACC compliance map of indicators as well as the free access to information index.
- Approve and sign a grant with DOSES and Accion Ciudadana to advocate the passage of Freedom of Information legislation by the National Congress.
- Coordinate and implement the second visit of experts from the Corporacion Latinoamericana de Desarrollo (CLD) who are assisting the Supreme Court of Justice develop a strategy to comply with IACC commitments within the area of responsibility of the Judiciary Branch.

LLR 2.1.3: Improved national government budget transparency, management and execution

- Work with the CSO CIEN to identifying training needs to improve knowledge and awareness about the budgetary process.
- Follow up on the results of T/AC Program deliverables such as the report on PACUR and the study entitled "Discretionary Spending, key actions to gain transparency" in order to revamp the existing social funds and the discretionary spending and windows of opportunity for corruption associated with these funds.

LLR 2.1.4: Systematic Government deficiencies identified and addressed in key line ministries

 Reach agreement with COPRE to implement a policy dialogue agenda and lobby to obtain the passage by the National Congress of critical reforms to the Procurement Law and system to improve transparency in this key area of government spending.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

- Follow up on the results of the corruption perception and experience index (IPEC) as a means to plan future activities.
- Finalize agreement with COPRE to implement the Bureaucratic Simplification Assessments and introduce improvements in selected GOG institutions.

LLR 2.1.6: Key oversight agencies strengthened

- Coordinate with UNDP, Coalicion por la Transparencia and the Congressional Transparency Commission to implement the recommendations from an ongoing assessment of the Probity Directorship within the Office of the Comptroller General.
- Continue to work with COPRE in finalizing the arrangements for a National Forum in Guatemala to follow up on the opportunities for public policy reform that were identified as a result of the participation of Guatemalan officials in the Good Governance Forum that took place in Mexico in November, 2006.
- Continue providing technical assistance to the Judiciary, with CLD support, to develop a strategy aimed at pursuing compliance with the IACC.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

 Organize a workshop to deliver and validate with civil society groups relevant documents on social auditing at the local level.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

- Implement the recently approved Social Auditing Competitive Fund for small grants to civil society organizations engaged in oversight of how the GOG manages public affairs and resources.
- Follow up on the grant to Accion Ciudadana designed to monitor and conduct social audits of the GOG Reconstruction Program.
- Continue to review and analyze civil society activity proposals through the Program Technical Committee including a proposal from Accion Ciudadana to fund an "umbrella" grant aimed at addressing activities in the areas of discretionary spending, development of baseline data for monitoring compliance with the IACC and progress in freedom of information, public procurement, etc.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

- Continue supporting the Action Plan promoted by the American Chamber of Commerce –AMCHAM- to encourage the adoption by the Guatemalan private sector of the US Department of Commerce Good Governance Program for the sector.
- Begin implementation of the CentraRSE proposal to establish private sector social responsibility activities and Ethics Codes.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

- Follow up on the open essay contest.
- Negotiate and implement the activities proposed by El Periodico in the areas of the "citizen journalism" and training of journalists in investigative reporting.

D. SUB IR 2.4: Accountability of elected and appointed officials approved

LLR 2.4.1: Political Party and elected leaders accountability improved.

• Approach OAS sponsored "Foro de Partidos Políticos" Secretariat, to discuss their annual plan and identify areas of potential Program cooperation..

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

 Coordinate with other donor agencies and civil society groups the activities aimed at improving the operation of the Probity Directorship of the Office of the Comptroller General.

II. Administrative Update

i. Grants

- Reviewed financial reports from grantees
- Conducted on-site visits to grantees and observed grantee activities in the field.
- Provided monetary advances to grantees in accordance with approved timetables

ii. Staffing

- Held regular staff meetings to discuss and follow different issues
- Followed up on staff contracts and performance evaluations

No documents were submitted to DEC during this reporting period.

PANAMA

Introduction

This quarterly report for January - March, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00 (Central America and Mexico Transparency, Anti-corruption and Accountability Program).

I. Technical Update

i. Key Activities

Following is a description of key activities conducted in this period broken down by Sub Intermediate Results and Lower Level Results.

SUB IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

<u>LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented.</u>

Continued support to the Executive Secretariat of the National Anticorruption Council

Although the lack of action by the National Anticorruption Council in implementing its strategic plan partially hindered the scope of our activities vis-à-vis its Executive Secretariat (whose plans and programs are well underway), the Program continued offering support to this entity in the design and execution of the following activities during the reported period.

Strengthening the legal and institutional anti-corruption framework

The Program offered technical assistance to develop, in conjunction with the Executive Secretariat, a project aimed at adjusting the Panamanian legal and institutional framework to the UN and OAS Anti-Corruption Conventions, specifically in regards to preventive measures. A self-assessment questionnaire was prepared and submitted to the Executive Secretariat for such purposes. The project also entails monitoring compliance with domestic anti-corruption legislation, such as Law 6 on Transparency. To address this component, the Project developed and shared with the Executive Secretariat a matrix to track the observance by government agencies of their freedom of information obligations under Law 6 and international best practices.

"Transparency and Transformation" Journal

In support of the Public Outreach Component of the Executive Secretariat, the Program continued making further adjustments and editing changes to the first issue of the Journal "*Transparencia y Cambio*". Previously, our Program assisted in defining its contents, editorial criteria and drafted one of its articles.

The quarterly publication aims at disseminating local and international experiences and material on access to information, public integrity and accountability. It also seeks to report on activities conducted by the Executive Secretariat in compliance with its mandate as anticorruption advisor to the Executive branch. The final section of each Journal's issue will offer additional data on legislation, standards, Internet sites or any other sources of information linked to the publication's topic at hand.

The Journal's articles and topics will be classified into three major sections: legal framework, institutional framework and citizens' participation. Next quarter, the Program will be funding the publication of its first volume, composed of 60 pages and to be entitled "Role and Perspectives of the National Anti-corruption Council and its Executive Secretariat".

The first issue's contents include articles on 1) International anticorruption conventions and their implementation in Panama 2) Background, authority and strategic plan of the National Anti-Corruption Council; 3) The operational and administrative functions of the Executive Secretariat of the National Anti-Corruption Council; 4) Public Statements issued by the Executive Secretariat, 5) First National Transparency Week and 6) First Essay Contest on Transparency and Corruption.

The Program will support the publication of 500 to 1,000 copies of its first volume at a projected cost of \$3,000 to \$4,000. The Executive Secretariat will approach other international donors to obtain funding for the publication of subsequent editions.

Other support activities for the Executive Secretariat

On February 10, the Program arranged an encounter between Lola Araujo, international anticorruption specialist, and the technical staff of the Executive Secretariat of the National Anticorruption Council. Araujo made a presentation on some of the most successful anticorruption initiatives undertaken recently in Bolivia, particularly in regards to the creation of Anticorruption Task Forces (multidisciplinary teams responsible for the criminal investigation of corruption), which she designed, implemented and supervised. In her presentation, she addressed their nature and functions and how they are formed and managed. Additionally, Araujo spoke on the development of anticorruption public awareness campaigns and how to promote civil society involvement in the execution of transparency projects.

The meeting was originally planned to last for an hour, but given the interest shown by the staff of the Executive Secretariat, it extended for two and a half hours. The Program left printed and electronic materials with them, which documented the experiences shared by the specialist.

In addition to offering the technical advice described above, the Program awarded an inkind grant to the Executive Secretariat in the form of a portable projector screen and banner. These resources will be used in connection with the execution of workshops, seminars and other related activities. The Program also shared with the Executive Secretariat its database of more than 100 civil society organizations in Panama (so that a wider range of NGOs, professional associations, media outlets, business entities, etc may be invited to participate in their activities) and provided advice on the configuration of their corruption accusations filing system.

Furthermore, the Program was instrumental in the preparation of a project on "Lessons Learned and Best Practices" that the Inter-American Development Bank agreed to fund.

Embarking on the design of an integrity plan for the Judicial Branch

To follow up on an earlier contact between the Supreme Court President, Graciela Dixon, and the USAID mission representative, the Program held working meetings and exchanged several communications throughout this quarter with her senior staff. The meetings were intended to identify and put into action transparency initiatives tied to the strategic objectives of the Court's 2006-2007 Work Plan. At first review, the Court seemed to be more concerned about launching a public relations campaign rather than adopting a substantial anti-corruption stance. Despite these early impressions, the Program recognized that the possibility of working jointly with the Court represents a unique window of opportunity –if there is a serious commitment and political will to effect change—and outlined a series of proposals for the Court's consideration.

The Program chose to discard some of our preliminary ideas, such as updating the lower courts management model or adjusting the Judiciary's freedom of information policies, given that other donors are already engaged in their development or that they are not currently a priority for the Court. As a result of our contact with the Court advisors, it became obvious that the judicial branch lacks a cohesive approach to fighting corruption. There seem to be many programs and actions directed towards this end, but are not necessarily coordinated among them. In light of that, the Program drafted a proposal to execute a comprehensive strategy to prevent, detect and punish corruption in the Judiciary.

The project has four specific objectives: a) identify preventive actions and penalties at the domestic and international level to tackle corruption in the Judiciary; b) detect institutional weaknesses and best practices among users and members of the judicial system; c) present a plan of action to fighting corruption in the judicial branch, and d)

monitor compliance with activities under the Court's integrity/anti-corruption plan and assess their impact.

Each of these objectives lists the activities proposed to meeting them, their expected results, performance indicators and the commitments that the Court needs to assume before our technical support and funding takes place. This is to stimulate the Judiciary's ownership of the project and identify early risks of a deficient support. In anticipation of disclosing the project to the judicial branch, it was shown to USAID for its review and comments. Next quarter, the Program will present it to the Court.

Scheduling initial joint activities with the Supreme Court

While the Program materializes a far-reaching anti-corruption project with the Supreme Court (see above), it agreed to fund the participation of an international speaker at a seminar on "Media and Justice: A Required Connection" to take place April 17-18, 2006. The seminar will be organized by the Supreme Court and the Panamanian Association of Magistrates and Judges as an alternate event to the Ordinary Assembly of the Latin American Federation of Magistrates.

At the request of the Court itself, the Program concentrated on identifying a Colombian speaker and it did so by selecting Eduardo Montealegre, a former president of that country's Constitutional Court. He will offer a presentation on the tensions between media and the Judiciary amid the need to protect freedom of information rights and engender accountability in the courts.

To obtain additional benefits from his presence in Panama, the Program is planning, in conjunction with *Alianza Ciudadana*, another presentation for him under the title: "Transparency and Accountability in the Judiciary: A Citizens' Demand and a Good Governance Requirement". The purpose of this is to create awareness on the links between an independent Judiciary and economic development.

LLR. 2.1.2. Implementation of the commitments of the Inter-American Convention against Corruption (IACC).

Tracking compliance with GOP commitments under international anti-corruption conventions

Over the last two quarters, our Program and its twin office in Guatemala reviewed a proposal submitted by Transparency International Latin America (TILAC) to assess compliance with the OAS and UN Anticorruption Conventions in both countries through a report card mechanism. After careful consideration, it was decided that as presented, the subject project did not fulfill all of our expectations since it would not assess all the obligations under the two treaties. Alternatively, the Program has already established

contact with the United Nations Office on Drugs and Crime (responsible for the UN Global Programme against Corruption), based in Vienna, to explore the possibility of obtaining their support for the purposes of disseminating the contents of the UN Convention among public decision makers and key GOP officials (e.g. members of Congress). The UN would also work in partnership with our Program and the Attorney General's Office in providing practical assistance and building technical capacity to implement the UN Anticorruption Convention.

LLR. 2.1.3 Improved national government budget transparency, management and execution.

No activities were carried out under this LLR this Quarter.

LLR 2.1.4: Systemic government deficiencies identified and addressed in key line ministries.

Following up on earlier contacts, the Program held a working meeting with the Civil Service Directorate to discuss our potential collaboration in the organization of the First National Congress of Human Resources Managers scheduled to take place in August 2006. Its theme will be "From the Exchange of Political Favors (*Clientelism*) to a Merit Based System". Among other objectives, the Congress seeks to create awareness among high level government officials on the need to develop a professional civil service system based on merits, expose participants to best practices and models in the management of human resources in the public sector, and assess technical criteria for the implementation and management of the civil service system.

The Civil Service Directorate will finalize and send us the Congress' program and a specific funding request for our consideration. The Program may support this activity by funding the participation of an international expert as a speaker who would additionally provide technical assistance in developing the manuals for one of the seven subcomponents of the civil service system in Panama.

LLR. 2.1.5 Initiatives to reduce petty corruption (bribe solicitation) developed and implemented.

Measuring integrity and efficiency in selected public institutions

In light of unfavorable circumstances that risked its successful implementation, (described in our previous quarterly report), combined with budget constrains, the Program did not continue advocating for the design and execution of a National Integrity Index under the umbrella of the National Anti-corruption Council.

A meeting held on January 26 with the President's chief of staff, who presides over the Council, did not provide enough assurances that the government is readily available to support its execution technically and financially.

LLR 2.1.6. Key oversight agencies strengthened.

Assisting the implementation of the strategic plan of the Office of the Comptroller General

At our request, the Office of the Comptroller General made an official presentation of its strategic plan 2005-2009 to USAID/Panama on February 9. The Program motivated the preparation itself of this document when it requested it as a preliminary step for the signing of a Memorandum of Understanding with the USAID mission.

In fact, the subject plan was drafted in consultation with one our external consultants. It included a list of seven major strategic goals, which are summarized as follows.

- 1. Modernizing the government audit function.
- 2. Developing technical capacities through permanent training.
- 3. Strengthening the technological infrastructure as a means of improving the government audit function.
- 4. Strengthening the National Statistics System.
- 5. Creating the Court of Accounts (*Tribunal de Cuentas*).
- 6. Simplifying administrative processes and renovating government accounting.
- 7. Refurbishing infrastructure and facilities.

Following the review of this document, the Program decided to focus the scope of its support in areas linked to strategic goals 1 and 2 and developed a plan to identify and complement the actions required to reach their objectives. To address the first strategic goal (modernizing the government audit function), the Program recommended to begin with the design of an overall Government Control System that coordinates the efforts of all oversight functions (pre-control, and internal and external auditing). Another relevant element implies updating the government auditing standards and manuals of the Office of the Comptroller General. For the second strategic goal, the Program developed a training sub-component that identifies priority areas. The Plan was presented and endorsed by USAID and the Office of the Comptroller General.

Developing technical capacities at the Office of the Comptroller General

The Program carried out the implementation of its comprehensive training plan on government audit through the following activities:

Public Procurement Oversight Course

In January, the Program offered a second course on public procurement oversight for the Pre-Control Directorate of the Office of the Comptroller General.

Selected participants from this course and a previous one, offered in December 2005, were invited to a "train-the-trainer" session held February 20-24. Both of them were taught by César Solanilla, an international procurement specialist.

The purpose of this seminar was to consolidate a group of 20 investigators (pre-control officials) as multipliers of training on principles and tools of public procurement oversight. They would be responsible for extending training on the subject matter to all 700 pre-control officials posted at 150 public agencies throughout Panama.

The participants were selected for the train-the-trainer course based on their commitment, participation and interest in the subject.

The workshop focused on the use of a methodology to identify training needs, establishing learning and training objectives, organizing the training plan and educational materials, and designing instruments to evaluate training.

Furthermore, the course prepared participants to develop a training manual on public procurement as well as for any other subject they may need to develop as trainers in pre-control activities.



MasterTrainer Course on Public Procurement Oversight

To disseminate training activities to pre-control officials throughout the country, the Program presented a report in which it recommended:

- Incorporating trainers in the ongoing plans of the training institute and to prepare a
 detailed schedule of events.
- Interacting with other units at the Office of the Comptroller General (e.g. Legal and Government Audit) to harmonize procurement oversight criteria. Standardization may occur at the highest levels, within a discussion scenario that permits the unification of both legal as well as extra-judicial procurement criteria. If this does not occur, procurement oversight activities conducted by pre-control officials may be futile, since their findings may not have the support of central authorities at the Office of the Comptroller General.
- Scheduling training of all pre-control officials with a commitment to do so through the 21 trainers trained by the Program. For this, the following steps were suggested:
 - a. Unify the training manual on procurement for pre-control-officials. This may be accomplished in a week-long workshop with trainers in which materials and exercises are refined and the presentations and evaluation instruments are harmonized.
 - b. Copy and distribute the training manual among all pre-control officials.
 - c. Design a nationwide training plan on public procurement oversight for pre-control officials. The plan should encompass a chronogram for one-week-long seminars.
 - d. Move forward with the training plan in groups of two trainers. This will permit a better management of time and improved professional support among trainers. A trainer with extensive practical experience and another with less experience were suggested.
 - e. Carry out selected visits with pre-control officials a month following a training course to validate the use of procurement oversight methodologies and the impact of training in improving pre-control activities.
 - The oversight manuals and checklist must be improved so that they become useful analytical tools and not only a superficial examination of the contracts.

The Program requested and will hold a meeting early next quarter with the Pre-Control Director to present Solanilla's main findings and promote the adoption of the above recommendations. In preparation for that meeting, the Program drafted a matrix that identified the entity responsible for complying with each of those suggestions and proposed specific dates to carry them out. The aim of this is to further commit the Pre-Control Directorate to taking the suggested actions in a timely manner.

Additional activities in the area of government procurement

In response to a request by the Deputy Comptroller General, the Program's procurement specialist (César Solanilla) reviewed a bill drafted by the Office of the

Comptroller General for the adoption of a new government procurement law. This represented an excellent opportunity to address legal flaws and areas vulnerable to corruption. The Program had also secured support, free of charge, from experts at *Universidad Externado* in Colombia to comment on the bill, but the Office of the Comptroller General did not prepare a formal request, one of the requirements set forth by the University for the provision of its services.

The international specialist also provided advice to the Deputy Comptroller General on the scope of some of the features of the special procurement law for the Social Security Administration (*Caja de Seguro Social*). Specifically, he analyzed the feasibility of requiring the presentation of a bond when a procurement award is contested by a party. The aim of this is to impede dilatory practices in a procurement process that are frequently groundless. His legal analysis was presented to the Executive Board of the Social Security Administration.

Teamwork and leadership skills development among high-level officials at the Office of the Comptroller General

In implementing the strategic plan of the Office of the Comptroller General, it is essential to fully commit career officials with the institution's transformation process and generate a work environment where team cohesion brings about the expected results.

The Office of the Comptroller General solicited the support of the Program in this task. The requested collaboration implied sharing the costs of the services of an external consultant specialized in leadership, teamwork and results measuring. This quarter, the Program assessed the qualifications and decided to contract José Gabriel Miralles for that purpose. The determination to award a contract to him was based on the following:

- Franklin Covey, the company represented by Miralles, developed its own methodology and has unique experience in implementing leadership, team work and efficiency workshops in Panama.
- The Office of the Comptroller General itself recommended his services and USAID/Panama concurred as it has worked previously with him.
- It is of utmost relevance to initiate this task at once as the executive staff of the Office of the Comptroller General needs to start implementing its strategic plan within a framework of team cohesion and efficiency.

The general objectives of his consultancy will be to:

- Facilitate the formation of an integrated, highly effective and reliable executive team with a common vision at the Office of the Comptroller General.
- Apply techniques that stimulate team work, the development of leadership skills and the measuring of institutional objectives and goals.
- Collaborate in the identification of areas of institutional improvement.

The program will contribute US\$ 10,000 to pay for the services described above, while the Office of the Comptroller General will co-fund this activity with US\$ 17,995. The subject activities will be carried out next quarter.

Attorney General's Office: Exchanging best practices in the criminal investigation of corruption

In conjunction with the Attorney General's Office of Panama, the World Bank's Global Development Learning Network and 19 entities in nine different countries, the Program organized on January 25, 2006 a dialogue via videoconference entitled "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders". The event was directed to Attorney Generals in Central America (see list below) who served, simultaneously, as moderators in their respective countries.

- 1. Francisco Dall'Anese, Attorney General of Costa Rica (featured speaker)
- 2. Romeo Benjamín Barahona, Attorney General of El Salvador
- 3. Juan Luis Florido, Attorney General of Guatemala
- 4. Leonidas Rosa Bautista, Attorney General of Honduras
- 5. Alberto Novoa, Attorney General of Nicaragua and Iván Lara, Special Criminal Attorney of Nicaragua
- 6. Ana Matilde Gómez, Attorney General of Panama and hostess of the event

This represented the first time the Chief Public Prosecutors of Central America met specifically to discuss regional and domestic actions against transnational corruption.

By showcasing three illustrative cases, the event sought to disseminate successful experiences in the prosecution of high-level corruption across borders and to promote regional assistance among Attorney Generals' Offices in its investigation.

The videoconference featured three top international speakers:

- 1. Sergio Munoz: current Supreme Court Justice in Chile and formerly responsible for investigating Augusto Pinochet for fiscal fraud, bribery, money laundering and other financial crimes.
- 2. Francisco Dall'Anese: Chief Prosecutor of Costa Rica who played a key role in investigating the corruption scandals that saw two former presidents of his country in preventive detention.
- 3. José Carlos Ugaz: Senior Institutional Integrity Officer at the World Bank's Department of Institutional Integrity and former Special Prosecutor to the Fujimori-Montesinos case.

Their presentations covered the following topics:

- Francisco Dall'Anese: "Costa Rica's Experiences in the Investigation of Corruption"
- Sergio Muñoz: "International Investigation Techniques Applied in Chile"
- José Carlos Ugaz: "Lessons arising from the Investigation of the Fujimori-Montesinos case"

During their presentations, the speakers pinpointed the following items as some of the key conditions that facilitated the success of their investigations:

- Developing informal and less complicated mechanisms to recover illicit funds, such as waivers.
- Coordinating with foreign government units, such as the UK's Serious Fraud
 Office or U.S. tribunals and the banking sector to collect evidence.
- Adopting legal standards that simplify the adoption of cautionary measures outside a judicial process, such as preventive seizure of assets.
- Coordinating and cooperating with domestic entities, such as the Financial Analysis Unit, the media and civil society representatives.
- Creating multidisciplinary teams within the Attorney General's Office with adequate resources and independence to investigate high-level corruption.

In addition to all six Central American Attorney Generals, 390 participants in nine viewing sites (El Salvador, Ecuador, Guatemala, Chile, Honduras, Nicaragua, Costa Rica, Panama, and the US) viewed the event simultaneously. They included, among other participants, law enforcement officials, judges, members of anticorruption commissions, civil society representatives and journalists. The table below shows the breakdown of each country's attendance.

Country	Registered Participants		
Costa Rica	28		
Chile	15		
Ecuador	102		
El Salvador	30		
USA	17		
Guatemala	22		
Honduras	22		
Nicaragua	65		
Panama	89		
Total	390		

Thanks to the intervention of USAID/Nicaragua's Transparency Program, the event was also shown online at the World Bank's videoconferences site (http://vcq01.worldbank.org/vc/). The recording will be available there through April

2006. Once at that site, it is necessary to enter the word "Experiencias" in the search field and click on the filter button to access the event proceedings. The videoconference may be seen in three formats (Recommended format: Windows Media Player Video: 16 - 62 kbps).



Videoconference proceeding in Panama (January 25, 2006)

The participants' evaluation of the videoconference was by and large very positive. Out of 390 registered participants, 137 of them filled out and returned a form assessing, among other features, the quality of the speakers' presentations, the broadcasting technology and the event's impact. 98% of respondents were satisfied with the results of the event (65% rated the videoconference as "excellent" and 33% as "very good"). Also, 83% of respondents considered that the videoconference's objectives were met (38% at an "Excellent" rate and 45% in a "very good" scale) and perhaps most importantly, 71% expressed that they intend to adopt immediate measures within their organizations as a result of the experiences and best practices showcased at the event.

To compile and share among a wider audience the valuable lessons on the criminal prosecution of corruption exhibited at the videoconference, the Program prepared a document (as a sort of "Memorias"), which included the following information:

- Executive summary that recapped the major conclusions and proposals.
- Transcripts from the speakers' presentations and from the contributions of the participating Attorney Generals.
- Conclusions and proposals.
- The results of the participants' evaluation of the event.
- A selection of pictures from all participating countries as well as newspaper and website articles from local and international sources.

 A participation certificate issued by the Attorney General's Office of Panama to all co-organizers.

Furthermore, the Program attached a CD with electronic copies of all the information above to the *Memorias'* package as well as a DVD with the proceedings of the event

itself. Within three weeks of the videoconference's transmission, the Program distributed these items among the event's speakers and co-organizers in participating sites. At the request of the Program, the *Memorias* were also posted online at the Internet site of the Attorney General's (www.ministeriopublico.org.pa) and at widelyanticorruption known sites such as www.respondanet.com. and www.probidad.org, among others.

The videoconference, covered by regional and international media, represented the first step towards institutionalizing cooperation

The (videoconference) materials are the best we have ever seen! The Memorias are complete, and the color pictures, newspaper articles, charts, evaluations are exemplary. I have distributed copies of them among our Management in the anti-corruption field.

Receive my greetings and gratitude from Washington for the excellent material on our first experience working together.

Sincerely
Bari Rabin
Knowledge Management Officer
World Bank's Knowledge Management and
Learning Unit

links among public prosecutors in Central America and brought them closer to the creation of a regional support network for the scrutiny of transnational corruption. Nevertheless, to materialize in concrete results this initial impact, it will be necessary to implement those proposals put forward at the event and in subsequent communications. For instance, Romeo Barahona, Chief Public Prosecutor of El Salvador, extended an invitation for a regional gathering of Anticorruption Prosecutors and the World Bank offered its continued cooperation by means of the Global Development Learning Network. As for the Attorney General of Panama, as suggested by our Program, she proposed to host a workshop among Attorney General's under the theme "Defining and Adopting Effective Strategies in the Criminal Prosecution of Corruption.

In the upcoming quarter, the Program will work together with the Attorney General's Office in designing the Program of such an encounter. In addition to offering potential presentations on investigative journalism and financial analysis as tools for the investigation of corruption, regional and domestic cooperation initiatives would be discussed at the one and a half day event through working groups. José Carlos Ugaz,

Senior Institutional Integrity Officer at the World Bank, would serve as their facilitator. The ultimate objective of this encounter would be the formal adoption by its participants of agreements in areas such as:

"The historical relevance and impact of this encounter of Public Prosecutors (...) signals a breakthrough in regional perspectives of mutual legal assistance and the fight against corruption"

(…)

You (USAID/Panama's Transparency and Accountability Program) were able to materialize an idea that was only in my head and that reached my expectations of the event, which entailed establishing links with our regional counterparts.

Ana Matilde Gómez, Attorney General of Panama

- International legal assistance (coordination with foreign courts, banks, fraud investigation units, etc.)
- Fund recovery mechanisms (e.g. waivers)
- Central American arrest warrant.
- Anticorruption task forces.
- Cautionary measures (preventive seizure of assets)
- Legal reforms on bank secrecy and the promotion of whistle blowing.

Supporting the reorganization of the Anti-corruption Public Prosecutors' Offices

At the request of the Attorney General's Office, the Program conducted an assessment of the three Anti-corruption Public Prosecutors' Offices (*Fiscalías Anticorrupción*) and presented recommendations to streamline their performance. The general objective of this initiative was to evaluate the performance of the Anti-corruption Public Prosecutors' Offices and to identify and propose the required institutional strengthening changes towards improving the quality, efficiency and coverage of the criminal prosecution of corruption.

Some of the specific objectives of this activity included the following:

- 1. Conduct an analysis of the legal framework and regulations that govern, not only the operations of the Anti-corruption Public Prosecutors Offices, but also their investigative activities in order to establish their coherence and applicability.
- 2. Make recommendations for the restructuring and/or strengthening of the legal framework to facilitate the criminal prosecution of corruption.
- 3. Determine if the current organizational design is responsive to the objectives of the Attorney General's Office and the guidelines of international conventions against corruption.
- 4. Identify technical issues that may be impeding efficient investigations.
- 5. Discern the degree of compliance with planning, organizational management and evaluation obligations.
- 6. Assess the quality of management of human, financial and technical resources.
- 7. Determine the level of coordination of the Anti-corruption Public Prosecutors Offices with other entities or institutions related to the criminal prosecution of corruption.

This task was performed through interviews, work meetings and/or workshops with Anticorruption Public Prosecutors, their direct staff members and government officials that contribute to the performance of their tasks (e.g. personnel of the Police Force, the Judiciary, the Office of the Comptroller General, the Financial Investigations Unit, etc.).

The structure and functions proposed for the institutional strengthening of the Anticorruption Public Prosecutors' Offices took into account the eventual transition to a judicial accusatory system in Panama. The proposal included the profile, selection process, recruitment and training plan for personnel of the Anti-corruption Public Prosecutors' Offices and a draft budget and timetable for the implementation of all the suggested changes.



Workshop with staff from the Anti-corruption Public Prosecutors' Offices

The scope of work consisted of two phases: i) conducting an assessment or diagnostic through interviews, working meetings and workshops with the staff of the Anti-corruption Public Prosecutors Offices and other public institutions related to their work; and ii) presenting an institutional restructuring and strengthening proposal.

The assessment focused primarily on an analysis of four aspects: i) the legal and regulatory framework; ii) the organization; iii) technical aspects and capabilities, and iv) logistical issues. The main findings of the assessment/diagnostic were, among others, the following:

- The Anti-corruption Public Prosecutors' Offices do not work as a team and lack clear common objectives.
- The Anti-corruption Public Prosecutors' Offices have a very low efficiency level and are not achieving significant results.
- Follow-up, monitoring and evaluation systems should be established since these are non-existent or empirical.
- The management model is bureaucratic, conservative and hierarchical.
- Inter institutional coordination, which is fundamental, is very weak and should be developed and strengthened.
- There is work overload generated by a large number of irrelevant, non-pertinent cases to this type of offices, which affects the performance and the achievement of substantial results.
- It is necessary to promote specialization and strengthen the technical capacities of its personnel.

- Anti-corruption Public Prosecutors as well as their subordinates recognize the need for improvement or change and are more inclined to change than the opposite.
- There are special process and regulations that limit the prosecutorial authority of the Anti-corruption Public Prosecutor and obstruct the possibility of investigating white-collar criminals. These laws and regulations should be adapted to modern doctrinal trends, international conventions, best practices, and the needs of the justice system.
- There is openness on the part of other GOP institutions to collaborate and coordinate with the Anti-corruption Public Prosecutors' Offices.
- There is a positive attitude and the capacity to change their work model at the level of the Anti-corruption Public Prosecutors and the head of the institution.
- Staff should be trained and specialize in specific areas.
- It is necessary to adjust the labor profiles and reinforce the authority of the Anticorruption Public Prosecutors.
- Anti-corruption Public Prosecutors should break paradigms in the processing of cases and assume a more proactive and dynamic role.

Based on the diagnostic's result, a proposal was prepared for the institutional strengthening of the Anti-corruption Public Prosecutors' Offices with the following recommendations:

- Defining clear objectives and goals.
- Redesigning and restructuring the Anti-corruption Public Prosecutors Offices based on the suggested proposal.
- Implementing an inter agency and horizontal management model.
- Develop teamwork.
- Reviewing standards and regulations.
- Offering specialized training.
- Offering adequate resources, infrastructure and equipment.
- Promoting openness to work and coordinate with other institutions involved in the investigation of corruption.
- Creating an Institute of Forensic Investigations.
- Integrating all three Anti-corruption Public Prosecutors Offices into one to provide more authority and work capacity. Under this scheme, the Public Prosecutors Offices will be dedicated to investigate cases of social, institutional and economic impact related to corruption and will be limited to addressing only accusations and causes emanating from crimes against the public administration.
- Working with a limited number of causes with the objective of winning judicial cases and expediting the recovery of assets.
- Incorporating forensic auditors to service the Anti-corruption Public Prosecutors'
 Offices full time. The staff of the Public Prosecutor Offices should be subjected
 to an evaluation and/or a rigorous selection process that will assure, primarily,
 their honesty and aptness within the required profile.

 Downsizing the structure of the emerging Anti-corruption Public Prosecutor's Office to 25 officials with a multidisciplinary background and a multi-agency profile (e.g. judicial police investigators, auditors from the Office of the Comptroller General and financial analysts from the Financial Investigations Unit).

Presently, the Attorney General has already taken action in some of the key recommendations listed above. For instance, she transferred all the cases of a financial impact of less than \$5,000 to another area outside the Anti-corruption Public Prosecutors' Offices. Additionally, all three Anti-corruption Public Prosecutors currently work in the same location and jointly attend the judicial proceedings to support each other. In response to our suggestion, the Attorney General also created a Coordination Committee that will oversee the execution of the Program's recommendations to restructure the Anti-corruption Public Prosecutors' Offices.

SUB IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting In Greater Responsiveness by Local Governments to Citizens Needs.

LLR. 2.2.1 Improved decentralization policy framework.

Several international donors are already engaged in decentralization programs in Panama. Thus, in accordance with the Mission's Activity Design Document, activities under this Sub-IR will be directed towards transparency and anti-corruption, rather than decentralization per se, as detailed in LLR 2.2.2.

LLR. 2.2.2 Improved local government budget transparency and accountability standards in selected municipalities.

Based on USAID/Panama's priorities, work under this LLR will be conducted as opportunities arise.

SUB IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making.

LLR 2.3.1: Strong civil society participation and oversight.

Small grants program: Alianza Ciudadana

At request of *Alianza Ciudadana*, the Program extended through April 2006 its small grant to promote accountability and transparency in the Judiciary at no additional cost. This extension was critical to jump-start some of the key recommendations presented in the framework of the State Commission on Justice Reform.

Below is a list of highlights in connection with the implementation of *Alianza Ciudadana's* grant in close collaboration with the Program's technical staff.

- Completed a draft Penal Code that was presented on February 15 to the Codifying Commission, the entity responsible for forwarding the final version of this document to the General Assembly for its review and approval. The draft code rates several types of corrupt actions as felonies in accordance with international anti-corruption conventions. The Program contributed technically to this task by reviewing and commenting, through an international specialist and its own permanent staff, on the draft penal code's observance of the requirements set forth by the UN Convention against Corruption (Chapter III. Criminalization and Law Enforcement). To ensure that the recommendations set forth by the draft penal code are taken into account, Alianza Ciudadana began a "lobbying process", through meetings and interviews, with the members of the Codifying Commission.
- Made several presentations for civil society organizations, university students, professors, business associations and the public at large on the results of the State Commission on Justice Reform. The events took place not only in Panama City, but also in other provinces. Alianza Ciudadana's Executive Director was also invited to participate in a number of TV and radio shows to talk about this topic. Furthermore, Alianza held meetings with key government officials, such as the Solicitor General, the Attorney General and the Deputy Minister of Justice to oversee the status of compliance of their commitments under the State Commission on Justice Reform.
- Coordinated the work of government entities, NGOs and private sector organizations (APEDE) to select and disseminate a new graphic design in the form of an anti-corruption logo to be used by all of them as part of a uniform public outreach campaign (See LLR. 2.3.2 Clear leadership role and ethical standards for the private sector).
- Analyzed, in cooperation with civil society organizations and the Attorney General's Office, the law bill that will create the Court of Accounts (*Tribunal de Cuentas*), specifically in regards to its impact on the investigation of corruption crimes.
- As part of its public outreach activities, Alianza obtained the publication, free of charge, of a 20-page, full color supplement (entitled "The Route towards a Comprehensive Justice Reform) that compiles all the results and recommendations issued by the State Commission on Justice Reform. The supplement was published at *Panamá América*, a newspaper with an estimated reach of 35,000 daily readers throughout the country.

Other activities with Alianza Ciudadana

The Program also attended, along with USAID/Panama staff, *Alianza Ciudadana's* Annual General Assembly where it participated in the discussion of its 2006-2007 strategic plan.

Leveraging funds with international donors to support watchdog initiatives by civil society

On February 1, 2006, our grantee, *Alianza Ciudadana* presented a second project for the Program's consideration entitled "Citizen Participation in Monitoring the Implementation of Transparency Reforms within the Justice Sector". Through this project, *Alianza Ciudadana* intends to conduct the following activities:

- 1 Monitor the implementation of recommendations issued by the Justice Sector Reform Commission (*Comisión de Estado por la Justicia*), particularly those related to accountability and transparency matters.
- 2) Establish a network of media and civil society organizations responsible for overseeing the prosecution and judicial rulings of high profile corruption cases, and
- 3) Create an Alternative Dispute Resolution Center at the community level.

The Program conducted an extensive review of the subject proposal, which implied holding working meetings with *Alianza Ciudadana* and other potential sponsors, specifically the Embassy of Canada, to evaluate its merits and the feasibility of funding it

Based on *Alianza's* excellent record in implementing citizen-driven initiatives to foster government transparency and the uniqueness of the proposed project, our Program concurred to award a grant in the amount of \$63,900 to co-sponsor two of its components of its total estimated cost of \$124.500.

As a direct result of our Program's intervention, the Embassy of Canada, through the Fondo Canadá-Panamá, offered an additional sum of \$40,000. Funds in the amount of \$20,600 will be raised by Alianza Ciudadana through its own resources to complement the overall cost of the Project. Following is a breakdown of each party's contribution to the project.

Project's Components	Estimated Cost	Embassy of Canada	Alianza Ciudadana	USAID/Panama's Transparency Program
No. 1. Monitoring compliance with agreed commitments under the State Commission for Judicial Reform	\$31,283	13,300	6,300	\$11,683
No. 2 Civil Society-Media network (implies opening citizens' channels for filing corruption accusations,	\$52,217	0	0	\$52,217

and following up and assessing the Judiciary's performance in corruption cases)				
No. 3. Alternative Dispute Resolution Center (Panama)	\$41,000	\$26,700	\$14,300	0

To the best of our knowledge, this is the first time that USAID/Panama and a Canadian Cooperation Fund joined resources to finance a non=partisan, goof governance initiative. The project is expected to be launched in April 2006.

Advancing a project to regulate prerogatives, exemptions and privileges for GOP officials

Despite several attempts to carry out a study aimed at identifying and assessing the economic impact of prerogatives granted to high-level GOP officials, the two parties responsible for its execution (the National Bar Association and the Institute of Criminology of the University of Panama) were not able to coordinate effectively to launch it.

In view of that situation, the Program will explore conducting that study through *Alianza Ciudadana*. Ultimately, this project seeks to present specific recommendations to the National Assembly. *Alianza Ciudadana* has already begun an initiative to reform the immunity regime in Panama, which is closely related to the analysis of state prerogatives and privileges.

Disseminating relevant information among the NGO community for the implementation of transparency projects

Budget constraints seriously limited the Program's ability to fund anticorruption projects by civil society organizations. With the purpose of acquainting local NGOs with additional sources of funding, the Program distributed to its database of more than 100 civil society organizations a request for proposals issued by the Civil Society Center of Partners of the Americas (*Centro para la Sociedad Civil de Compañeros de las Américas*). Through that project, the Center will fund projects in the area of good governance of up to \$30,000.

Distributing information to university research centers (IDEN e ICRUP)

The Program also forwarded to the Institute of National Studies (IDEN) and the Institute of Criminology of the University of Panama (ICRUP) an invitation to participate in a Regional Mechanism of Social Responsibility, Ethics and Development spearheaded by the Inter-American Development Bank. This initiative offers technical assistance,

course materials, diagnostic tools and training for the design of strategies and instruments to generate social responsibility and ethics.

Assisting the development of the Panamanian Association of Fraud Examiners (APEF)

The Panamanian Association of Fraud Examiners (also known as APEF for its Spanishlanguage acronym) is a non-profit organization created to produce and disseminate specialized information on fraud causes, detection and prevention in different sectors of the economy.

Since its inception, the Program was invited by APEF to attend its meetings with other counterparts and potential partners. To support its institutional development, our Program offered to work with APEF's Executive Director in drafting its strategic plan of action and implementing its initial technical activities. This involved defining basic issues, such as the organization's structure and sources of funding to carry out its daily operations and projects.

For instance, to help APEF raise funding for its daily operations, the Program offered to co-organize a Seminar on Fraud Auditing in April taking advantage of the presence in the country of an international specialist to be brought by our Program. The seminar will be co-organized with the Educational Unit of the Certified Public Accountants Association, where APEF is hosted. The Program may also provide partial funding for an international fraud congress to be held in May.

LLR. 2.3.2 Clear leadership role and ethical standards for the private sector.

Launching a public awareness campaign through the use of a graphic anticorruption concept

In March, *Alianza Ciudadana*, in conjunction with GOP agencies (which included the National Anticorruption Council and the Attorney General's Office), the private sector (APEDE) and civil society organizations (Transparency International-Panama and *Comisión de Justicia y Paz*, among others) released a logo to be used as the graphic identity of the fight against corruption in Panama. The disclosed logo was the winner of a national design contest jointly organized by all the entities listed above.

Our Program contributed to this initiative by envisioning and proposing it to *Alianza Ciudadana*. It also provided continuous advice during its implementation, but our financial support was marginal given that complementary funds were secured from private sector sources. Among other objectives, the logo intends to promote awareness and present a common front (government, civil society and private sector) against corruption through the use of a graphic design that it is not associated to a specific

government or interest group. In compliance with our Performance Monitoring Plan, it also sought to promote private sector involvement in funding anticorruption initiatives, such as the financial contribution offered by APEDE to fund the design contest.

The next immediate step is to promote its use by government agencies, private companies and NGOs. Ultimately, the success of this initiative will be measured, for instance, against the number of commercial products or outdoor advertisements that portray it. APEDE is planning to fund several billboards that will feature the logo and its anticorruption message.

On March 31, the Program and *Alianza Ciudadana* organized a meeting with representatives of the *Asociación Panamena de Crédito*, the local credit rating agency, to incite their involvement in this public awareness campaign. As soon as the required paper work is signed, the Association will start using the logo at its website and in all the credit reports issued daily to banks and commercial entities. This has the potential to expose tens of thousands of its users to the anticorruption message conveyed by the logo. In the following quarter, our Program and *Alianza Ciudadana* will visit additional private sector organizations and other entities, such as movie theater chains, the national lottery, cookie factories, etc. to promote the insertion of the anticorruption logo in their products and services.



Presentation of Anti-corruption Logo

LLR. 2.3.3 Capacity of the media to report on transparency and corruption issues increased.

See LLR 2.3.1 (Strong civil society participation and oversight) under the description of the second grant to be awarded to *Alianza Ciudadana*. It involves working jointly with the media in increasing its capacity to report on transparency and anticorruption issues.

SUB IR 2.4: Accountability of Elected and Appointed Officials Improved.

LLR. 2.4.1 Political Party and elected leaders' accountability improved.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

<u>LLR. 2.4.2 Improved government ethics and disclosure of assets of public officials and candidates for public office.</u>

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

Ø List of In-Country Training Events

Training Program	Field of Study	Relationship to the objectives of the Contract	Date	Estimated Cost	Female Participants	Male Participants
Public Procurement Oversight	Gov't Auditing	LLR 2.1.6	Jan. 16-20 (40 hours)	5,063.53	13	17
Training of Trainers on Public Procurement Oversight	Gov't Auditing	LLR 2.1.6	Feb. 20-24 (40 hours)	4,763.28	7	10

ii. Other activities:

Other project activities throughout this quarter included the following:

Ministry of Economy and Finance

The Program worked with the Management and Financial Directorate of the Ministry of Economy and Finance in defining joint collaboration projects. Three areas were originally identified as the focus of our potential support: a) Conducting a diagnostic of the Ministry's legal framework, b) Updating its Institutional Development Plan, and 3) Providing technical assistance to the Directorate of Institutional Development.

Subsequently, however, limitations in terms of funding availability forced the Program to cancel, at least in the short run, any potential collaboration.

Assessing small grant requests submitted by civil society organizations

The Program reviewed a proposal presented by *Fundación para el Desarrollo Participativo* (FUNDEP) to launch a transparency and accountability mechanism in six *corregimientos* of the Province of Veraguas. Through this project, FUNDEP would be selecting and training citizens from each of the six *corregimientos* as social auditors. Among other objectives, they would oversee the correct and prudent use of development funds at the community level. Based on its merits and the availability of funds, the Program will make a decision next quarter on this and other proposals that we have recently received, such as one from the Association of Public Relations Professionals (*Colegio de Relacionistas Públicos*) to edit a bi-monthly anti-corruption newsletter.

Complementing Georgetown University-Executive Secretariat's Train-the-Trainer Program

The Program held a meeting with a representative from Georgetown University to provide advice on the potential launching of a series of projects with the Executive Secretariat of the National Anti-corruption Council. Through its Center for Intercultural Education and Development, Georgetown University would be conducting a train-the-trainer program for public officials and university professors on public administration, law, ethics and other disciplines related to anticorruption. The Program will offer to participate in this program as co-facilitators, through its own staff, with the purpose of complementing the Georgetown training.

iii. Achievements and Obstacles

Some of the Program's achievements in this quarter include the following:

- Assisting the Executive Secretariat of the National Anti-corruption Council in finalizing the preparation and launching of its plans and projects. For instance, the Program was instrumental in designing a project on "Lessons Learned and Best Practices" that the Inter-American Development Bank agreed to fund. A second project on "Transparency Indicators in Panamanian Public Agencies" is likely to be sponsored by the UN Development Program.
- Drafting a proposal, to be presented to the Supreme Court, which seeks to prevent, detect and punish corruption in the Judiciary. The project has four specific objectives: a) identify preventive actions and penalties at the domestic and international level to tackle corruption in the Judiciary; b) detect institutional weaknesses and best practices among users and members of the judicial system; c) present a plan of action to fighting corruption in the judicial branch,

and d) monitor compliance with activities under the Court's integrity/anticorruption plan and assess their impact.

- Assisting the drafting and launching of the strategic plan of the Office of the Comptroller General. The Program coordinated with the Office of the Comptroller General to carry out next quarter several activities in regards to its implementation, such as a series of workshops on teamwork and leadership skills development for high-level officials, the creation of a public works auditing unit, courses on fraud and public revenues auditing, and technical assistance to streamline the functioning of the General Audit Directorate.
- Setting up an agenda of meetings for the Comptroller General of Panama in connection with his upcoming trip to Washington, DC on May 7-10. At the request of the U.S. Embassy in Panama, the Program arranged meetings for him with the U.S. Comptroller General, the Inspector General of USAID and the Department of State and World Bank and Inter-American Development Bank Officials whose function relate closely to those of Supreme Audit Institutions. The meetings are intended to expose the Comptroller General to best practices on government auditing and, potentially, securing support from U.S agencies or international organizations in the form of training and/or IT solutions.
- Completing a training program in government procurement oversight for the Office of the Comptroller General, which included a train-the-trainer course. The course is expected to be replicated nationwide by the trained facilitators in benefit of all 700 pre-control officials.
- Designing and organizing a virtual encounter of Chief Public Prosecutors entitled "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders". In addition to all six Central American Attorney Generals, 390 participants in nine viewing sites (El Salvador, Ecuador, Guatemala, Chile, Honduras, Nicaragua, Costa Rica, Panama, and the US) watched the event simultaneously. They included, among other participants, law enforcement officials, judges, members of anticorruption commissions, civil society representatives and journalists.
- Conducting an assessment of the three Anticorruption Public Prosecutors'
 Offices (Fiscalías Anticorrupción) and presenting recommendations to streamline
 their performance. In response to the Program's suggestion, the Attorney
 General created a Coordination Committee that will oversee the execution of our
 recommendations. Some of the suggested reforms have already taken place.
- Completing, through our small grants program, a draft Penal Code that includes a specific chapter on "Corruption Crimes". The draft code regards several types of corrupt actions as felonies in accordance with international anti-corruption conventions.

- Leveraging funds with the Embassy of Canada to co-fund a proposal submitted by Alianza Ciudadana to monitor compliance with the recommendations issued by the State Commission for Justice Reform.
- Providing partial assistance in the development of the Panamanian Association of Fraud Examiners (APEF), a non-profit organization created to produce and disseminate specialized information on fraud causes, detection and prevention in different sectors of the local economy.
- Obtaining financial support from the private sector to fund a government-civil society initiative for the adoption of a new graphic identity for the fight against corruption in Panama.

Obstacles

By and large, the most serious challenge to be faced by our Program in the forthcoming quarters will be the implementation of activities under significant budget constrains. In anticipation of this, and subject to our CTO's concurrence, the Program intends to focus its work on those GOP agencies and civil society organizations with a proven anticorruption commitment and where our activities are likely to have the most substantial impact.

In government, the Program will concentrate its efforts on providing technical and financial support to the Office of the Comptroller General, the Attorney General's Office and to a lesser extent the National Anti-corruption Council. Hinging on the development of on-going initiatives, which rely mostly on the display of political will, the Supreme Court and the Civil Service Directorate would also become the recipients of our cooperation.

As for civil society, given its excellent record of meeting project objectives, *Alianza Ciudadana* will be the focal point of our small grants program. Additional resources will be reserved for creative anti-corruption programs presented by other civil society organizations.

iv. Planned Activities by each Sub-IR and LLR for the next Quarter

Following is a projection of some of the tasks that the program anticipates conducting during the upcoming quarter:

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

<u>LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented</u>

Collaborating in the implementation of activities by the Executive Secretariat of the National Anti-corruption Council

The Program will continue working with the Executive Secretariat in promoting the implementation of its plans and projects. Specific activities include: a) funding the publication of the first issue of "*Transparencia y Cambio*", b) assisting in the organization of a workshop on April 19, 2006 with GOP officials to develop the Public Integrity Program, c) co-sponsor the organization of a two-day Accountability seminar in May, and d) coordinating with Georgetown University in putting together the train-the trainer course for GOP officials and staff from the Executive Secretariat.

In regards to the National Anti-corruption Council, at the request of its Executive Secretariat, the Program intends to conduct an assessment of its achievements and obstacles over the last year. By interviewing all the members of the Council and external parties (NGOS, private sector organizations, and professional associations), this activity seeks to identify why its current structure has not facilitated its work and what his role, if any, should be in the future.

Launching initial joint transparency initiatives with the Supreme Court of Justice

In response to a request for support, the Program will present for the Supreme Court's consideration a proposal to execute a comprehensive strategy to prevent, detect and punish corruption in the Judiciary.

The Program will sponsor the participation of an international speaker at a seminar on "Media and Justice: A Required Connection" to take place on April 17-18, 2006.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

Promoting compliance with UN Anti-corruption Convention

The Program will follow up on early contacts with the United Nations Office on Drugs and Crime (responsible for the UN Global Programme against Corruption) to explore the possibility of obtaining their support in building technical capacities and disseminating the contents of the UN Convention against corruption among key GOP officials. This will be done in collaboration with the Attorney General's Office.

LLR 2.1.3: Improved national government budget transparency, management and execution

The Program does not plan to conduct activities under this LLR next quarter.

LLR 2.1.4: Systemic Government deficiencies identified and addressed in key line ministries

Promoting the implementation of the Civil Service system

The Program will cooperate in the organization of the First National Congress of Managers of Human Resources scheduled to take place in August 2006. Its theme will be "From the Exchange of Political Favors (*Clientelism*) to a Merit Based System".

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

In accordance with current priorities, the program will schedule activities under this LLR as opportunities arise.

LLR 2.1.6: Key oversight agencies strengthened

Strengthening the government auditing function

The Program will finalize the agenda and attend the meetings in Washington (May 7-10) of the Comptroller General of Panama with high-level U.S. government auditors and representatives from international organizations.

It will also provide technical support to the National Public Works Directorate (*Dirección Nacional de Ingeniería*) to prepare its annual plan of audits and related documents, restructure its internal organization and functions, outline the profile of its staff and strengthen their appraisal techniques.

To follow up on the implementation of its comprehensive training plan, the Program will offer a second workshop on forensic auditing for the Office of the Comptroller General. Course participants will also include staff from the Attorney General's Office, the Judicial Police (PTJ), the Financial Analysis Unit (UAF) and the Institute of Criminology of the University of Panama. Additionally, the Program will conduct a diagnostic of the Audit Directorate of the Office of the Comptroller General by examining its institutional structure, functions and a sample of its audits in progress. The diagnostic will contain recommendations to improve the Audit Directorate's standards and its planning, execution and reporting functions.

In the area of Public Revenues Control, the Program will explore with CIAT (*Centro Interamericano de Administraciones Tributarias*) the possibility of offering on-site and/or virtual courses for the Office of the Comptroller General. Courses would be directed in particular to staff from its Pre Control Directorate (*Dirección de Fiscalización*), Audit

Directorate (*Dirección de Auditoría General*) and the Accounting Directorate (*Dirección de Sistemas Contables*).

Continued support to the Attorney General's Office

The Program will provide advice to the Coordination Committee responsible for monitoring the restructuring process of the Anti-corruption Public Prosecutors' Offices based on the Program's recommendations.

It also intends to begin the organization of an encounter in Panama of Attorney Generals of Central America as a follow-up to their first virtual encounter.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizens' needs

LLR. 2.2.1 Improved decentralization policy framework.

Several international donors are already engaged in decentralization programs in Panama. Thus, in accordance with the Mission's Activity Design Document, activities under this Sub-IR will be directed towards transparency and anti-corruption, rather than decentralization per se, as detailed in LLR 2.2.2.

LLR. 2.2.2 Improved local government budget transparency and accountability standards in selected municipalities.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

Supporting Civil Society involvement in the judicial reform process

The Program will continue supporting *Alianza Ciudadana* in connection with the implementation of its first grant (scheduled to be completed by April 2006). Additionally, the Program will support the launching of a second project to monitor compliance with the recommendations issued by the Justice Reform Commission and to create a transparency network of civil society and media.

A presentation on "Transparency and Accountability in the Judiciary: A Citizens' Demand and a Good Governance Requirement" is scheduled to take place on April 18, 2006. This event intends to create awareness of the links between an independent Judiciary and economic development. The featured speaker will be a former president of the Constitutional Court of Colombia.

The Program will explore conducting, in conjunction with *Alianza Ciudadana*, a study to identify and assess the economic impact of prerogatives granted to high-level officials. The ultimate objective of this project is to present to the National Assembly specific recommendations to prevent abuses on the use of such prerogatives.

Furthermore, the Program will visit, in conjunction with Alianza Ciudadana, additional private sector organizations and other entities, such as movie theater chains, the national lottery, cookie factories, etc. to promote the insertion of the new anticorruption logo in their products. For entities such as the Panamanian Association of Credit Rating (APC), which have already endorsed the use of the Anti-corruption logo, the Program will offer brief presentations for their staff on the concept behind the need to fighting corruption and the adoption of the logo.

Events and seminars

The Program will co-organize a Seminar on Fraud Auditing in April taking advantage of the presence in Panama of an international specialist. The seminar will be offered in collaboration with the Panamanian Association of Fraud Examiners and the Educational Unit of the Certified Public Accountants Association.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

Short-Subject Films on Anticorruption

The Program will explore the feasibility of joining efforts and funds with the Panamanian private sector, through APEDE, to produce short films depicting the causes and consequences of corruption in daily life. The film vignettes are intended to be used as a sort of public service announcements to be shown on TV and at movie theaters. They would portray situations that citizens, government officials, and/or businessmen/women may regularly encounter in their day-to-day activities.

Establishing strategic alliances

The Program will interview with *Integrarse*, the Panama chapter of the World Business Council for Sustainable Development, which recently launched activities in the area of Corporate Social Responsibility. The objective would be to identify areas of potential collaboration.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

See LLR 2.3.1 (Strong civil society participation and oversight) under the launching of the transparency network of civil society organizations and the media.

D. Sub IR 2.4: Accountability of Elected and Appointed Officials Improved.

LLR. 2.4.1 Political Party and elected leaders accountability improved.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

LLR. 2.4.2 Improved government ethics and disclosure of assets of public officials and candidates for public office.

In accordance with our Work Plan and USAID/Panama's priorities, the program will schedule activities under this LLR as opportunities arise.

II. Administrative Update

i. DEC

No documents were submitted to the Development Experience Clearinghouse this quarter.

NICARAGUA

Introduction

This quarterly report covering the period of January 1 through March 31, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with Contract DFD-I-00-03-00139-00 and Task Order DFD-I-03-03-00139-00, USAID/Central America and Mexico Anti-Corruption, Transparency and Accountability Program.

I. Technical Update

i. Key activities by Sub-IR and LLR for the Quarter

The following is a description of key activities conducted in this period broken down by Sub Intermediate Results and Lower Level Results.

Sub-IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

<u>LLR 2.1.1:</u> National anti-corruption/transparency strategy completed and implemented¹

During this quarter the Program conducted several initiatives in support of the implementation of a national anti-corruption/transparency strategy. Many of these initiatives required close coordination with USAID, international and local counterparts, and the USAID/Panama Transparency Program, which is also implemented by C&A.

On January 25 the Program, in coordination with the USAID/Panama Transparency and Accountability Program, arranged the local transmission of a videoconference on "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders." This initiative, which was brought forth by the Attorney General's Office of the Republic of Panama, and in collaboration with the World Bank, had as its primary objective to share with other countries successful experiences in the investigation of high profile corruption cases. For the transmission and participation in Nicaragua, both the World Bank and the *Centro de Capacitación a Distancia* provided invaluable support. In addition, USAID/Nicaragua's Rule of Law Program and the US Embassy assisted in coordinating the event.

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¹ There is currently no agreed upon National Anti-Corruption/Transparency Strategy document



The videoconference was conducted by Dr. Francisco Dall'Anese, Attorney General of Costa Rica: Dr. Sergio Muñoz, former lead counsel on the Riggs-Pinochet Case and Magistrate of the Supreme Court of Chile; and Dr. José Carlos Ugaz, former Prosecutor of the Peruvian State in the Fuilmori-Montesinos Case and President of Investigations in Latin America and the Caribbean in the Institutional Integrity Department of the World Bank. The conference was broadcast in 9 countries (Guatemala, El Salvador, Nicaragua, Panama, Honduras, Costa Rica, Chile, Ecuador, and the United States) and boasted an outstanding overall attendance record of approximately 400, among them each country's Attorney General. Sixty-three were participants in Nicaragua (29 female participants, 34 male participants), and although the videoconference targeted primarily Central American "Procuradores y Fiscales Generales," a wide variety of sectors were represented. These included administrators of justice, anti-corruption commissions, civil society, academia and the media, among others. As a result, the videoconference provided a unique opportunity for an open forum in which similar experiences, lessons learned, and recommendations were actively exchanged. The very positive reactions of the participants prompted an interest in continuing to utilize this tool for open discussion of transparency and corruption issues. This has been discussed with the Centro de Capacitación a Distancia for development of themes for future conferences.

In support of this event and its wider dissemination, the Transparency Program with the help of the *Centro de Capacitación a Distancia*, negotiated with World Bank/Washington the Web casting of the conference, making the information available worldwide simultaneously as well as for several months at http://vcg01.worldbank.org/vc/. An invitation was extended for participation electronically via a local newspaper.

² Press ad, El Nuevo Diario



On March 30, the Program provided support to the Executive Branch's Voluntary Strategy for Access to Information (EVA) initiative in conducting citizen tests of the usefulness of the official Web sites of the pilot entities and the value of the accessible information. This was accomplished in coordination with the Presidency and the support of Sistemas Integrados de Gestión Financiera, Administrativa y Auditoría (SIGFA). The Transparency Program provided logistical support and selected the groups of citizens who participated in the tests of the sites of the six initial entities-Ministerio de Hacienda y Crédito Publico, Dirección General de Ingresos, Ministerio de Salud, Fondo de Inversion Social de Emergencia, Instituto de Desarrollo Rural, and the Instituto Nacional de Estadísticas y Censos, plus two entities that recently joined the group, Dirección General de Aduanas and Ministerio de Transporte e Infrastructura.

Each organization stationed a Web master at a computer and the teams of citizens, representing diverse profiles and occupations, were provided a standard set of questions and tasks for each site. For example, via the *Ministerio de Salud* site, citizens were asked to locate the public hospital closest to their home of residence. For the *Ministerio de Hacienda y Crédito Público* site, one task was to identify how the objectives of SIGFA contribute to the improvement of transparency within the GON. The results of the tests, as well as comments offered, were recorded and compiled. The overall results will be presented early next quarter to the pilot institutions by the *Oficina de Comunicación Social de la Presidencia*. This presentation will consist of recommendation sessions on how the pilot entities can improve on their web sites. Each activity that promotes the benefits of access to public information builds political will to provide more information, with or without an access to information law.

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³ Videoconfernce: "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders."



As a follow-up to the Regional Forum on Good Governance (November 2005 in Mexico City, Mexico), the Program hosted a breakfast on March 10 for the twelve Nicaraguan public officials that had participated in the Forum, three with funding by the Transparency Program (two representatives from the *Procuraduría General* and one from the *Ministerio de Salud*). The objective of bringing the participants together was to facilitate an exchange of experiences, tools, and lessons learned during the weeklong forum in Mexico.

Among the approximately 25 participants attending the breakfast were U.S. Ambassador Paul A. Trivelli, Ms. Carol Horning, Deputy Director/USAID/Nicaragua, and representatives from the *Oficina de la Administración Pública, Ministerio de Salud, Dirección de la Función Pública, Secretaria Técnica de la Presidencia, Ministerio de la Familia, Comisión Presidencial de Competitividad, Procuraduría General, Oficina de Ética Publica and Unidad Coordinadora del Programa de Reforma y Modernización del Sector Publico.* The breakfast provided an amicable venue in which the public officials were able to share their experiences at the regional Forum, the value of international cooperation and, most importantly, the systems and practices that they are now implementing in their institutions as a result of their participation in the Forum. The Nicaraguan participants were particularly impressed with the offer of the Government of Mexico (GOM) to provide follow on advice, training, and perhaps even funding for implementation of innovative practices such as social audits to combat corruption.

Several of the participants had already followed up with GOM counterparts and made serious attempts to apply the lessons learned here in Nicaragua. Of particular note was the presentation made by Srta. Egda Vélez of the *Comisión Presidencial de Competitividad* in which she outlined the commission's efforts to develop a strategy of Quality Government (*Gobierno de Calidad*), one that emphasizes quality in the attention to the public and *Cartas de Compromiso al Ciudadano* as a means of promise of a particular service through an established process and within a certain timeframe. The

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⁴ EVA web pages validation

Nicaraguan commission is receiving technical assistance from the Sub-Secretary of the *Función Pública/México* in this endeavor.

Ms. Haydee Acosta, Director of the *Oficina de Ética Pública (OEP)*, reported that an agreement was close to being signed with the *Secretaría de la Función Pública/México*. The agreement will enable technical cooperation in establishing mechanisms to improve citizen participation, modernization and transparency in government, and accountability and ethics on the part of public officials. All of the officials agreed that it was their responsibility to act upon the lessons learned from the Mexico event and to request the Program's assistance or counsel as needed to provide adequate follow up.

<u>LLR 2.1.2:</u> Implementation of Inter-American Convention against Corruption Commitments

On January 19 the Program held a seminar on "Civil Society Follow-Up on Nicaragua's Implementation of the Inter-American Convention against Corruption (IACC)", with the coordination and participation of Dr. Olga Nazario from C&A Headquarters and Mr. Jaime López of *Probidad*. The seminar's objectives were three-fold.

First, seminar attendees were presented with a venue to share and reflect on the content of the IACC, its Follow-Up Mechanism and the recommendations made by the OAS's Committee of Experts to the Government of Nicaragua (GON) during the first round of evaluations conducted in 2003. Second, the attendees learned about the experiences of civil society participation in monitoring and reporting on IACC compliance in neighboring countries. In addition, the seminar sought to discuss the next steps for Nicaraguan civil society in monitoring implementation of the recommendations made by the Committee of Experts.

Dr. Julio Saborío, Director of International Judicial Affairs at the Ministry of Foreign Affairs, and Dr. Manuel Arauz, Dean of Law Faculty at the Central American University (UCA), were among the speakers. A diverse group of civil society groups, including IPADE, CISAS, *Coordinadora Civil*, AMCHAM and the *Asociación de Auditores Internos*, were represented at the seminar (31 representatives, 22 male, 9 female).



Many participants indicated that this seminar was the first of its kind that gave them the opportunity to become familiar with the IACC, its implementation mechanism, and the role assigned to civil society in monitoring its implementation. As a result, the number of members that make up the Follow-Up and Monitoring Group of the Implementation of the IACC Commitments in Nicaragua has increased from 8 representatives from different organizations to approximately 15. Each member represents a different organization.

As a continuation of the above-described seminar, on February 15 the Program convoked a meeting of the Follow-Up and Monitoring Group with the Presidency's Oficina de Etica Pública (OEP). The meeting's objective was to request that OEP report to the Nicaraguan State on the progress that has been made on implementation of the recommendations issued by the OAS's Committee of Experts. In addition, OEP provided information on the procedures that civil society should follow in order to register with the OAS.

Civil society organizations such as AMCHAM, Fundación Violeta Barrios de Chamorro (FVBCH), Hagamos Democracia, Ética y Transparencia, Probidad, UCA, and the University of Commercial Sciences (UCC), among others, were present. One representative from each organization attended (7 female, 8 male). A total of 15 organizations were represented. The meeting resulted in the OEP's pledge to share all future reports on the advances of implementation with civil society, a major step forward in civil society monitoring of the implementation of the IACC in Nicaragua.

The success achieved at the February 15 meeting was confirmed on March 21 when a second meeting between the Follow-Up and Monitoring Group and the OEP took place. The OEP shared with civil society the draft report on the advances in the implementation of the IACC recommendations, which would be presented during the OAS's Ninth Plenary Session of the Committee of Experts from March 27 through April 1. By sharing the report with civil society, the OEP gave the Nicaraguan nonprofit

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⁵ Lic. Jaime López, Probidad

sector a sense of inclusion and open collaboration. The different organizations were allowed to make suggestions for the report's improvement. A total number of 16 attendees participated (7 female, 9 male).

In its continued support to the Follow-Up and Monitoring Group, the Program, with the invaluable help of the USAID/Guatemala Transparency and Anti-Corruption Program, arranged a luncheon meeting with *Acción Ciudadana's* Executive Director, Mr. Manfredo Marroquín. *Acción Ciudadana* is a Guatemalan NGO specialized in building a democratic values based upon transparency and anti-corruption, and the designated representative of Transparency International has collaborated extensively with USAID/Guatemala's democracy programs.

The luncheon's objective was to facilitate a healthy and proactive exchange of experiences between *Acción Ciudadana* and the Nicaraguan Follow-Up and Monitoring Group in relation to the monitoring and reporting of IACC recommendations. The attending participants obtained much needed information on the Twelfth International Anti-Corruption Conference (*Duodécimo Cumbre Internacional de Anticorrupción*), which will take place in Guatemala during the month of November 2006. *Acción Ciudadana* also shared its experiences in the area of municipal level technical assistance. Twenty-two participants attended the luncheon (12 female, 10 male). On January 27, 2006 a grant in the amount of \$66,095 was extended to the *Fundación Violeta Barrios de Chamorro* (FVBCH). The grant, which has one-year duration, seeks to promote a demand and environment for access to public information and to monitor the progress of legislation currently under consideration by the National Assembly (see LLR 2.3.1). A coordination meeting was held with the grantee on March 6 to discuss the channels of communication, and the monitoring and reporting requirements to be followed during the one-year implementation period.

<u>LLR 2.1.3:</u> Improved national government budget transparency, management and execution

The Program met with Ms. Ana Quiroz, Executive Director for the *Centro de Información y Servicios de Asesorías de Salud* (CISAS) on February 20. Ms. Quiroz suggested exploring the possibilities of creating an "observatorio" of the national budget linking it to the development indicators created by Public Expenditure and Financial Accountability (PEFA), a partnership between the World Bank, the International Monetary Fund (IMF), several national aid agencies and the Strategic Partnership with Africa. Pursuing this would be beneficial to promoting an integrated approach to public expenditure, procurement, and financial accountability, particularly in poor (HIPC) countries such as Nicaragua.

The Program's proposed sectoral budget activity was also discussed and CISAS expressed strong interest in making the presentation for the health sector. A potential partner for this activity, *Instituto de Estudios Estratégicos y Políticas Públicas* (IEEPP) had presented a proposal to the Program for a sectoral budget event. Progress had been made by redefining the activity to include multiple sectors and events outside of

the capital city. Future meetings to further discuss this topic will be scheduled with Ms. Quiroz and IEEPP's Executive Director, Mr. Javier Meléndez, as well as other partners to be drawn into the effort.

<u>LLR 2.1.4:</u> Systemic government deficiencies identified and addressed in key line ministries

There were no activities for Nicaragua under this LLR for the quarter.

<u>LLR 2.1.5:</u> Initiatives to reduce petty corruption (bribe solicitation) developed and implemented

During discussions on March 7 with Dr. Enrique Alvarado of the *Ministerio de Salud* (MINSA) regarding the Mexico Forum continuation meeting, the possibility of Program assistance was introduced. Mention was made of possibly conducting a Bureaucratic Simplification Assessments (BSAs) on MINSA to reduce opportunities for petty corruption. The Program advised Dr. Alvarado that, with the pending approval of this activity, the Mission, and particularly the Office of Human Investment, would assist in making the official proposal to the Ministry. Dr. Alvarado agreed that the Ministry had its hands full with the doctors' strike but would be very interested to discuss this at a future date.

On March 28, an initial meeting was held with Mr. Miguel Navas, Customer Service Director of the Dirección General de Ingresos (DGI). Discussions centered on areas that might benefit from support for simplification of procedures to help diminish opportunities where petty corruption could surface. As with the case of MINSA, Mr. Navas was advised that once this activity was formally approved, USAID and the Program's technical team would pursue presentation of the proposal through official channels.

In the meantime, the Program sought a Third Country National (TCN) consultant to provide technical training to local organizations in conducting the assessments and identified a well-qualified candidate with whom negotiations are being carried out. A TCN was considered for this consultancy due to the lack of Nicaraguan expertise in this area.

LLR 2.1.6: Key oversight agencies strengthened

On March 27 the Program met with Dr. Iván Lara, National Penal Prosecutor; and with Norena Briceño, Director of the Citizen Complaints Office of the PGR. The meeting was called as a follow-through to various requests from the PGR for the Program to provide support in the design and implementation of a communications strategy. Further meetings will be scheduled to continue discussions on this topic as well as assistance programmed in the FY06 Work Plan.

The international videoconference in support of the PGR is outlined under LLR 2.1.1.

Sub-IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens' Needs

LLR 2.21: Improved decentralization policy framework

There were no activities for Nicaragua under this LLR for the quarter.

<u>LLR 2.2.2:</u> Improved local government budget transparency, management, and execution

On January 26 the Program in coordination with the *Instituto Nicaragüense de Fomento Municipal* (INIFOM), *Red Local por la Democracia*, the *Asociación de Municipios de Nicaragua* (AMUNIC), PNUD, APDEL-DANIDA, GTZ, *Progestión-Finlandia*, and *Grupo FUNDEMOS* hosted the "II Forum on Citizen Participation." The forum's objective was to contribute to local level development and improve coordination between instances of citizen participation and public administration at the local, departmental, and national levels.

The participants---mayors, vice mayors, councilmen/women, members of *Comités de Desarrollo* (CDMs) and *Comités de Desarrollo Departamental* (CDD), municipal associations and local leaders, represented 42 municipalities throughout the country. Topics of training and discussion included the legal framework for citizen participation at the local level. Dr. Salvador Garcia, Mayor of San Marcos, made a presentation of his municipality's experience in Participatory Budget, a project that is executed and funded through a USAID/Transparency Program grant to *Grupo FUNDEMOS*. As a result of the work groups formed during the event to define the principal goals and create action plans for 2006, commitments were made between the different sectors to consolidate participative efforts at the local level.

During the event, the Transparency Program, along with the other sponsors, set up a display booth that showcased the Program's sub-results, pictures of the various activities, and provided hundreds of copies, both print and CD, of pertinent documents. Of the 291 participants attending the forum (131 female, 160 male), most visited the Program's display and many useful contacts were made.



During the period grantee *Grupo FUNDEMOS* carried out 10 seminars that are focused on particular social sectors (6 in rural zones, 4 within urban areas) to reinforce previous participatory budget activities. For the many citizens unable to participate in the town hall meeting for approval of the municipal budget, or unable to learn of the results via other means of communication, these activities provided a venue to make the 2006 budget known and thus encourage social audit of compliance with municipal government's commitment.

While tracking the progress of the grants to *Grupo FUNDEMOS* and *Grupo Cívico Ética y Transparencia*, the Program conducted in situ visits to the local authorities of four of the municipalities that are currently carrying out activities. The visits were scheduled in the following order: *San Marcos, Carazo*, numerous visits in February and March; Diriamba, Carazo on March 14; El *Rosario, Carazo* on March 23, and *Santo Tomás del Norte, Chinandega* on March 27. The Program was able to take a first hand look at how the activities were being implemented by the grantees. *Ética y Transparencia* also initiated activities in *Masatepe*.

Through numerous means of communications and meetings, Program staff verified that the coordinating, monitoring, and reporting procedures for grantees, local authorities, and municipal civil society were working effectively. With the March approval of the selection of municipalities designated for assistance under these two grants, it will be necessary to reprogram some activities, which Casals will proceed to negotiate with the two CSOs.

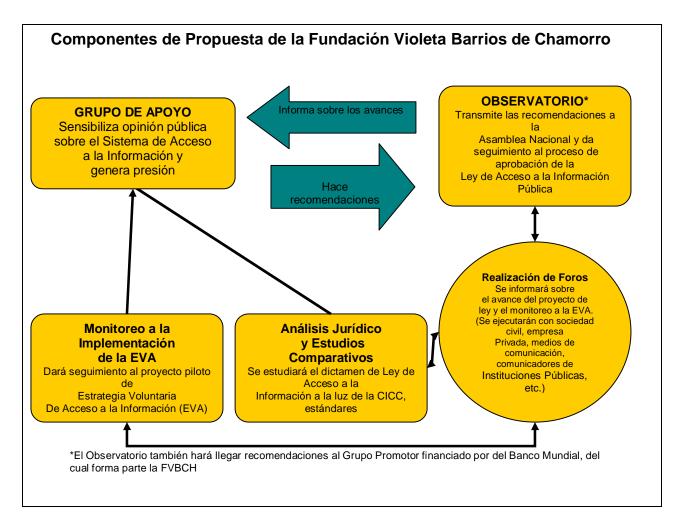
⁶ II Foro de Participación Ciudadana

Sub-IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making

LLR 2.3.1: Strong civil society participation and oversight

On February 14 Hagamos Democracia presented a proposal for support to strengthen the Comités de Desarrollo (CDMs) in the 17 Cabeceras Departamentales y Regionales. After reviewing the proposal, the Program met with Hagamos Democracia to discuss the possibility of focusing the proposal more on the national level versus the local level. On February 28 the Program met with Mr. Yader Loza, Executive Director of Hagamos Democracia, to exchange views and ideas on this possible alternate proposal to increase transparency in parliamentary functions along with other activities. This initiative will be pursued by the NGO and future meetings will be scheduled as needed prior to submission. It was also agreed that the initial proposal would be retracted from consideration for the time being and perhaps re-submitted at a future date. On March 28 a new proposal was submitted by Hagamos Democracia and this new submission is under perusal by the Program's technical committee.

As stated before, on January 27 the Program awarded a grant to the *Fundación Violeta Barrios de Chamorro* (FVBCH) for activities related to access to information during the period January 2006 to January 2007. Under this grant the FVBCH will create and consolidate a civil society support group to promote the right to information and implementation of a system for accessing public information. The *Fundación* will also establish an observatory for monitoring progress on the legislation currently in the National Assembly and the GON's initiative of the EVA system (LLR 2.1.1) within the Executive branch. The grant also provides for analysis and comparative studies of the legislation and events to inform and create favorable public opinion of the importance of access to information as part of the democratic development of Nicaragua.



The Transparency Program, along with other donor programs (UNICEF, PNUD and DFID), was invited by the World Bank to participate, as possible, in their Small Grants Program for the Atlantic Coast regions. After attending several initial meetings, the Program Director received an invitation to become part of the Coordination Committee for the Approval of Proposals. The first selection meeting was held on March 16 and the Committee approved five of the seven projects received. In addition, each of the participating donor programs selected one of the funded projects to provide possible follow-up. The Transparency Program adopted the project "Strengthening Youth Leadership, with a Focus on Gender, in the Urban area and *Colonia La Union* of *Nueva Guinea*, *RAAS*," to be carried out by URACCAN. This will not only hopefully benefit the small project, but will also provide the Program with a partner for the municipal work programmed for *Nueva Guinea*.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

There were no major activities under this LLR for the quarter but the Program continued to make a concerted effort to involve private sector representatives in other Transparency Program activities. Both the American Chamber of Commerce (AMCHAM) and the Association of Internal Auditors of Nicaragua (AAIN) have

demonstrated genuine commitments to the Program's goals. The Auditors Association, not long after becoming involved in the IACC Follow-Up and Monitoring Group, voted to pursue registration with the OAS as a representative organization of Nicaraguan civil society, an action that it continues to pursue.

<u>LLR 2.3.3:</u> Capacity of the media to report on transparency and corruption issues increased

The Program met with Mr. Alfonso Malespín, member of the Communications Faculty at the *Universidad Centroamericana* (UCA) on March 3. Among the topics of discussion were potential scenarios to provide support to the university for a specialization course (*diplomado*) that will be offered in the area of political communications. The proposal has been shared with the Mission in preparation for discussion with the PAO before final consideration of support.

Sub-IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1: Political parties and elected leaders' accountability improved

Under a short-term sub-contract negotiated in the previous quarter, the organization IFES, recognized experts in the fields of elections and political party finances, sent three consultants to Nicaragua to conduct an evaluation of the situation surrounding political party finances and mechanisms for the accountability of candidates and elected officials. Jeffrey Carlson (United States), Program Specialist for Political Finance, Delia Ferreira (Argentina), Political Finance Practitioner and Academic, and Pablo Galarce (Chile), IFES Regional Director for the Americas, met with diverse sectors of the Nicaraguan populace for the purpose of:

- Ø Reviewing and assessing the current political finance landscape in Nicaragua,
- Ø Opening and galvanizing a dialogue with civil society, and
- Ø Developing a basic implementation plan for a political finance monitoring and reporting project.

The IFES team met with the Mission and US Embassy at the initiation of activities and upon termination of in-country activities, during which an explanation of the legal framework for political party finances was provided.

In accordance with the sub-contract's terms, IFES provided an assessment of the political party finance environment and subsequently a concept paper and proposal for a long term monitoring project. Casals began negotiations with IFES for the upcoming effort, and at the close of the reporting period had requested a revised version of the proposal and budget. It is expected that these negotiations will be concluded early in the coming quarter and that IFES will initiate activities under the following subcontract.

The multi-country political party finance event continued to be a point of discussion between the Mission and Casals, and is tentatively programmed for the month of June.

Definition of the IFES subcontract and a determination of support by other countries in the region will clarify this issue during the next reporting period.

<u>LLR 2.4.2:</u> Improved government ethics and disclosure of assets of public officials and candidates for public office

There were no activities programmed under this LLR for the quarter.

Ø List of In-Country Training Events

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants
Implementation of Inter- American Convention against Corruption (IACC)	Knowledge of the IACC and civil society experiences in the monitoring of the Convention	LLR 2.1.2	Jan 19	09	22
Implementation of IACC	Experiences exchanged with Acción Ciudadana from Guatemala	LLR 2.1.2	Mar 31	12	10
Implementation of IACC	Analysis and discussion of the Access to Information Law Project	LLR 2.1.2	Mar 31	07	06
Municipal Budget Transparency	Contributions to local development and consolidated participative exercises	LLR 2.2.2	Jan 26	131	160
Municipal Budget Transparency	Feedback on budgetary issues. Citizenship promoting transparency in use of public resources by municipal level governments.	LLR 2.2.2	Jan- Mar	373	303

Ø Consultancies

Dr. Olga Nazario

Dr. Nazario visited Nicaragua in January to participate as a speaker at the "Civil Society Follow-Up on Nicaragua's Implementation of the Inter-American Convention against Corruption (IACC)".

Dr. Sergio Díaz-Briquets

Dr. Díaz-Briquets, Senior Vice President of C&A visited Nicaragua during the month of January to assist in the development of the Program's 2006 Work Plan.

Mr. Pablo Galarce, Jeffrey Carlson, and Delia Ferreira

Messrs. Pablo Galarce and Jeffrey Carlson, and Ms. Delia Ferreira from IFES, worked with the Transparency Program during the month of January. They provided assistance to the Program under a short term sub-contract for developing tools for civil society organizations to track and monitor political party finances.

ii. Other Activities

- Ø Participation in the refinement of the Mission's SO1 PMP and development of precise definitions for Indicators
- Met with USAID/Program Office, CTO, and grantees to more clearly define measurement of results. The meeting's objective was to ensure that the activities that were to be reported by the grantees fell within the Program's established indicators.

iii. Achievements and Obstacles

Achievements

- Ø Grant award to the *Fundación Violeta B. de Chamorro* for promotion of access to public information
- Ø Approval of Deputy Program Director Mariela Lanzas
- Ø Approval of municipalities selected for technical assistance
- Ø Approval of FY06 Work Plan

Obstacles

Ø GON entities are becoming more focused on elections and less focused on long term sustainable reforms

iv. Planned Activities by each Sub-IR and LLR for the next quarter

Sub-IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

<u>LLR 2.1.1:</u> National anti-corruption/transparency strategy completed and implemented

- Ø Creation of Círculos de Transparencia
- Ø Initiation of technical assistance for reform of the OEP
- Ø Follow-up activity for Mexico Good Governance forum
- Ø Provide technical assistance to EVA pilot entities

<u>LLR 2.1.2:</u> Implementation of Inter-American Convention against Corruption Commitments

- Ø Provide technical assistance to selected GON entities for compliance with IACC
- Ø Provide technical assistance to CSOs for promotion of new organic law for CGR
- Ø Launch public awareness campaign for access to information
- Ø Conduct IACC implementation workshop

<u>LLR 2.1.3:</u> Improved national government budget transparency, management and execution

Ø Provide technical assistance to MHCP to improve access to periodic budget reporting.

Provide assistance for EVA pilot workshop Conduct CSO budget workshop on specific sector budgets

<u>LLR 2.1.5:</u> Initiatives to reduce petty corruption (bribe solicitation) developed and implemented

Ø In coordination with HI, negotiate agreement with MINSA for technical assistance for public information campaign and BSA

LLR 2.1.6: Key oversight agencies strengthened

- Ø Negotiate with ROL/Checchi, Multi-Donor Anti-Corruption Fund and PGR support for public awareness campaign for the PGR
- Ø Negotiate with a CSO a leadership role in demanding selection of new GON officials based upon merit

Sub-IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens' Needs

<u>LLR 2.2.2:</u> Improved local government budget transparency, management, and execution

- Ø Initiate transparency activities in all of the FY06-approved municipalities
- Ø Contract CCN municipal consultant

Sub-IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making

LLR 2.3.1: Strong civil society participation and oversight

- Ø Award grant to CSO Hagamos Democracia for citizen oversight activities
- Ø Organize first regional Transparency Fair on social auditing
- Ø Complete contracting for Nicaragua Corruption component of Vanderbilt survey
- Ø Sign MOU with Secretaría de Juventud for national youth survey

<u>LLR 2.3.2:</u> Clear leadership role and ethical standards for the private sector

Ø Organize in-country training activity on anti-corruption topics

<u>LLR 2.3.3:</u> Capacity of the media to report on transparency and corruption issues increased

Ø In coordination with PAO make determination of support for UCA proposal for diplomado program

Sub-IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1: Political parties and elected leaders' accountability improved

- Ø Sign sub-contract with IFES and initiate in-country activities
- Ø Assist in organization and presentation of multi-country event on political party financing

<u>LLR 2.4.2:</u> Improved government ethics and disclosure of assets of public officials and candidates for public office

Ø Support for CSO workshop to raise issue of voluntary declarations of assets

II. Administrative Update

- i. Approval and preparation for assignment of Mariela Lanzas, Deputy Program Director
- ii. No documents were submitted to DEC during this reporting period.

EL SALVADOR

Introduction

This quarterly report covering the period from January 1 through March 31, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Central American and Mexico (CAM) Transparency, Anti-corruption and Accountability Program.

I. Technical Update

Following is an overall summary of highlights by Strategic Objective (SO) and Intermediate Results (IR), and a description of key activities conducted by the Transparency and Governance (TAG) Program during this reporting period broken down by Sub Intermediate Results (Sub IRs) and Lower Level Results (LLRs).

i. Key Activities by Sub IR and LLR for the Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 1 – Strengthened Rule of Law

A. Sub IR 1.1: Improved transparency and efficiency of judicial processes

LLR 1.1.1: Promote transparency, efficiency and understanding of judicial processes

During this quarter, the TAG Program focused its efforts on identifying programmatic opportunities, as well as governmental and non-governmental actors that can be effective ends and means to promote transparency and accountability in the justice sector. Towards that goal, the TAG Program focused its activities in two directions. First, intensifying its consultative and policy dialogue process and interaction with key governmental and non-governmental organizations and second, placing special attention to strengthening civil society's capacity to marshal citizens in support of a more transparent judicial system and to oversee the implementation of reforms.

<u>Supporting Coordinated Approach to Open Key Justice Sector Institutions to Public Scrutiny</u>

Through strategic interaction and a selective consultative process, the TAG Program identified potential governmental and non-governmental stakeholders to serve as platforms and as means of promoting transparency and efficiency in justice processes. While previous USAID initiatives have laid the groundwork, the challenge for the TAG Program is to find strategic areas to promote transparency in a more systematic and coordinated manner. The TAG Program held in March an initial meeting with members of the National Judicial Council/Consejo Nacional de la Judicatura (CNJ) to present highlights of the program. Members of the CNJ, including its President, expressed interest and indicated that they would be contacting the TAG Program in the near future.

Similarly, the TAG Program had two working meetings with the Department of Detainees awaiting Sentence of the Supreme Court/Corte Suprema de Justicia (CSJ). The Director of the Department expressed interest in two key areas: first, the development and implementation of transparency indicators and second, specialized training for key personnel on ethics and transparency. A third meeting is scheduled for the first month of next quarter.

Special attention was placed on strengthening civil society's capacity to marshal citizens in support of a more transparent judicial system and to oversee the implementation of reforms. Taking advantage of the visit of coalition building experts (see LLR 2.3.1.) from Partners for Democratic Change (PDC) from January 23-27, 2006, the TAG Program briefly held consultations with several Civil Society Organizations (CSOs) and Non-Governmental Organizations (NGOs) that work in the justice sector on the possibility of promoting coalition building activities. The result of the assessment showed that there is a high level of interest among the organizations to work together on transparency issues. Many CSOs articulated the need to collectively design and implement a national agenda on transparency and anti-corruption.

The TAG Program is currently reviewing a proposal by PDC to promote coalition building in El Salvador. The overall goal of this initiative will be to strengthen CSOs capacity to be effectively involved in anti-corruption and transparency initiatives.

In an effort to promote a coordinated approach, the TAG Program also interacted with key CSOs and NGOs such as the *Instituto de Derechos Humanos de la Universidad Centroamericana* (IDHUCA), the *Fundación de Estudios para la Aplicación del Derecho* (FESPAD), the *Foro de Jueces*, the Legal Department of the *Fundación Salvadoreña para el Desarrollo Económico y Social* (FUSADES), and the Salvadorian Chapter of the Inter-American Institute of Constitutional Law. These meetings and interactions are being



used to promote discussions of key issues, such as compliance with the Inter American and the United Nations Conventions against Corruption, ways and means to measure and monitor transparency in the justice sector and how to build and expand on USAID's previous support efforts.

In addition to interaction, consultative process and exploring possibilities to promote transparency coalition building, during this quarter the TAG Program also received specific requests from CSOs to increase citizen participation in the pre-selection process of key authorities of the justice sector, such as the Attorney General, members of the CNJ and Justices of the Supreme Court. CSOs like IDHUCA and FESPAD wanted to ensure greater transparency and accountability in these processes. Given the highly polarized political campaigns leading to the legislative and local elections

scheduled for March 12, 2006, and after consultations with USAID, the TAG Program did not support these activities.

<u>Promoting Compliance with the Inter-American Convention against Corruption in</u> the Judicial System

The TAG Program engaged a number of CSOs and NGOs in promoting ideas and activities specifically related to the compliance to the Inter-American Convention against Corruption (IACAC). There were early conversations with FUSADES' Legal Department on organizing a forum on the IACAC commemorating its 10th Anniversary, targeting business representatives and lawyers. In addition, the TAG Program held conversations with the Salvadorian Representative to the Committee of Experts of the Follow-up Mechanism, to determine possible areas of collaboration.

As follow-up to a meeting held during the previous reporting period, the TAG Program also intensified conversations with the *Foro de Jueces*, a professional association with national coverage, to design and implement a key activity on the IACAC. Until the end of this reporting period, a broad programmatic framework has been jointly developed with *the Foro*, which is currently still under revision. Nonetheless, the highlights of the planned activity will involve two regional forums, one in San Salvador and another in San Miguel with the participation of judges. The main objective of these events will be to analyze the current compliance situation of the implementation of the IACAC in Latin American and in El Salvador and its implication for judicial practitioners and judges. It is anticipated that the participants to these forums will learn from experiences and best practices throughout the region and the application of the IACAC in other countries from the point of view of the Organization of American States (OAS), government and civil society. The event will likely take place in the next reporting period.

IR 2 – Greater Transparency and Accountability of Governments

A. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizens' needs.

LLR 2.2.1: Improved decentralization policy framework

The TAG Program has continued to work in two main areas under this particular LLR, both emphasizing the expansion, promotion and support for more participatory and transparent local development processes.

<u>Promoting the National Enabling Environment to increase Local Government</u> Level Responsibilities, Resources and Decision-Making

The TAG Program has consistently been supporting efforts of the *Comisión Nacional de Desarrollo Local* (CONADEL) in the design and implementation of an action plan in support of strengthening decentralization policies. By working with CONADEL, the TAG

Program is also working with RECODEL, a donor network for local governance.⁷ A key area of emphasis is the support of the process of passing a new municipal property tax law (*impuesto predial*), as an alternative mechanism to finance local development.

To that end, during this period the TAG Program has been actively working jointly as part of RECODEL, attending key periodic meetings, commenting and inputting initiatives and ideas. For example, the TAG Program has actively participated in the planning and design of a major consultancy effort in benefit of CONADEL, to pursue the eventual passage of a new municipal property tax law. The TAG Program is supporting one specialized consultancy to review, design and implement the legal framework for this new law. In addition, the TAG Program will also support CONADEL in socializing and disseminating the strategy and process of passing the new municipal property tax, by assisting with workshops and forums for stakeholders, decision-makers, business representatives and CSOs. The implementation of this activity will occur during the next reporting period.

Another key activity to report is the planning and support of a major policy dialogue event on the issue of property tax. Taking advantage of a regional course on property tax jointly being implemented by the *Universidad Centro Americana José Simeón Cañas* (UCA) and the Lincoln Institute of Land Policy from Cambridge, Massachusetts, the TAG Program has taken the initiative to organize jointly with UCA and RECODEL a forum with experts teaching the course and members of CONADEL.

Ultimately, CONADEL will play a lead role in the process of passing a new municipal property tax law since its membership is made up of representatives from the Ministry of Finance, political parties represented in the National Assembly, the National Association of Municipalities (COMURES), the Municipal Development Institute (ISDEM), business organizations (represented by ANEP) and the Local Social Investment Fund (FISDL). Therefore, this event being planned for April 27, 2006 will allow members of CONADEL to be exposed to lessons and best practices from experiences throughout the region and the world.

Enhancing Local Government Capacity to Undertake current and any Future Responsibilities in a more Transparent Manner

The TAG Program has a two-pronged strategy to strengthen the legal and institutional framework to promote transparency at the local level. First, after the new Municipal Code was approved in late December 2005, the TAG Program began to analyze and explore ways to operationalize Title IX on Transparency and Citizen Participation of the newly approved code. Building on previous work supported by USAID, the TAG Program is planning to conduct a rapid assessment to analyze the current Municipal System of Transparency (STM). During the recent years, with the support of various donor organizations a series of tools to promote transparency and citizen participation in local governments were developed and implemented. Such tools include strategic

⁷Principal donor members of RECODEL are USAID, the Inter-American Development Bank (IDB), the European Union, the United Nations Development Programme (UNDP) and the German Development Agency (GTZ).

planning, guides to implementing the Procurement Law (LACAP) and manuals for CSOs to strategically engage and interact with local authorities.

For most of the quarter, the TAG Program worked intensively on a strategy for the rapid assessment, including topics, stakeholders and potential consultants. By the end of this reporting period, a national expert was identified to collaborate with the TAG Program in the assessment exercise. With USAID concurrence, the process to contract the national consultant is underway and an internal team composed of the TAG Program's Senior Technical Advisor and the TAG Program's Local Governance Specialist is finalizing details to launch the assessment in May 2006. The assessment exercise is timely and necessary, since the elections in March produced a new local government map, which will begin working as of May 2006. The main product of the assessment will be a programmatic framework to help operationalize Title IX on Transparency and Citizen Participation of the new Municipal Code. This product will not only serve the TAG Program as a useful and updated programmatic reference for activities, but also to CONADEL, COMURES, other donors and a network of CSOs and NGOs.

Secondly, the TAG Program has also been engaged in conversations with COMURES to explore potential areas of collaboration. Prior to the March 2006 elections, there was a request from COMURES to train candidates running for local government positions. At the advice of USAID, the TAG Program focused on post electoral activities targeting newly elected local leaders. Given that new municipal governments will be inaugurated in May 2006, the TAG Program has been meeting with representatives from COMURES to incorporate a module on ethics; transparency and leadership as an integral part of the training that newly elected local leaders receive. This training module would initially target the Executive Board of COMURES. Eventually, the training module could also be replicated and adapted to other sectors within COMURES, such as municipal civil servants, and newly elected council members and mayors. This activity is being planned for the end of next quarter or beginning of the final quarter of FY 2006.

In addition, the TAG Program is also engaged in on-going conversations with COMURES to provide technical assistance in the area of integrity pacts. COMURES is finalizing a Letter of Understanding (LOU) with the Salvadorian Chamber of the Construction Industry (CASALCO). Early conversations with COMURES centered on the possibility of the TAG Program providing some technical assistance to convert the above-mentioned LOU into a public integrity pact.

B. Sub IR 2.3: More opportunities for citizen participation in and oversight of national and local government decision-making

LLR 2.3.1: Strong civil society participation and oversight

During the last reporting period, the TAG Program had engaged in a consultation process with an array of civil society organizations to discuss themes such as monitoring the compliance of the IACAC; advocacy, social auditing, and strategic engagement; access to information; private sector engagement and participation, and;

coalition building. During this reporting period, the TAG Program placed emphasis on three key activities to engage CSOs in anti-corruption and transparency activities.

Strengthen CSO capacity to be effectively involved in anti-corruption and transparency activities.



During the entire reporting period the TAG Program strategically interacted with many CSOs. For example, in February the TAG Program's Director, the Senior Technical Advisor and the Civil Society National Specialist participated in a roundtable discussion on Access to Information in El Salvador. The main issue of the roundtable discussion was the role of CSOs in promoting access to information. All three TAG Program Team members provided

useful input to the discussion. *Probidad* published the Proceedings of the Roundtable, which will be used as an advocacy tool for ongoing discussions and as reference for an eventual strategy.

Similarly, also in February the TAG Program engaged in a roundtable discussion with *Probidad* focusing on an innovative topic, "Transparency in the Market." With the support of Transparency International and GTZ, *Probidad* is leading a coalition of governmental and non-governmental organizations to tackle and analyze topics such as equitable access to markets, consumer protection and lack of transparency and accountability in the production chain of economic activities. In a half-day meeting, the TAG Program's and *Probidad's* technical teams exchanged ideas and engaged in a constructive discussion and analysis on various issues and topics related to Transparency in the Market.

The week of January 23-27, the TAG Program hosted two representatives from PDC, a leading U.S. non-governmental organization with global experience in building coalition

capacity and (www.partnersglobal.org). During this visit, PDC and the TAG Program met with 15 CSOs representing a whole variety of sectors. The objectives of this short mission were to determine the level of interest in establishing a transparency coalition, to examine experiences prior with building cooperative coalitions and partnerships. CSOs' to gather



thoughts on the challenges a transparency coalition might face and the goals it might achieve, and to map the organizations' strengths, skills and reach.

A number of key findings emerged from this assessment relevant to the establishment of cooperative projects on transparency issues. Utilizing these findings, PDC, in close collaboration with the TAG Program, is designing a programmatic proposal that will lay the foundation for collaborative efforts on transparency issues among CSOs. The proposal builds on PDC's global experience and best practices in building collaborative efforts and coalitions and on the TAG Program's vast experience in transparency work. Similarly, the partnership between PDC and the TAG Program combines expertise in process skills and experience in coalition building and cooperative planning with technical capacity in transparency and anti-corruption issues to create a "perfect marriage." This partnership was successfully tested in Bolivia where PDC and USAID's Americas' Accountability/Anti-Corruption Project, jointly designed and implemented a program on coalition building for eight emerging Bolivian anti-corruption civil society organizations.

All of these activities and interactions with CSOs have had an immediate impact. For example, they have strengthened contact, interaction and dialogue among and between CSOs; allowed the TAG Program to assess synergies between and among CSOs; improved awareness of key issues such as coalition building, the IACAC, and access to information; improved knowledge and information to promote public policies and improve government transparency; and has provided an opportunity to discuss techniques and methodologies to measure and track progress in key transparency issues.

<u>Increased Anti-Corruption Coordination with Business Organizations</u>

The business sector in El Salvador is already participating actively in an array of governance activities, including advocacy, business ethics promotion, the development and lobbying of reform and legislation and transparency and accountability. The aim of the TAG Program is to strengthen the capacity of the business sector to be a champion of integrity. The business sector in El Salvador, as in many other countries, has been held responsible for being part of the corruption problem (e.g. bribes, conflicts of interest, influencing public procurement processes). Improved business engagement and responsibility could be a powerful tool to promote transparency and accountability.

By itself, the business sector is viewed by many as a profit seeking and self-serving sector. However, through high profile organizations such as FUSADES, the Chamber of Commerce and FUNDEMAS, businesses also have the potential of playing a leading role in anti-corruption activities, both as a sector and as part of broader civil society coalition.

During this reporting period the TAG Program has placed priority on engaging business organizations. Key activities during this reporting period were:

- Three meetings with the Salvadorian Chamber of Commerce, including one with the President, to discuss potential areas of collaboration, such as promoting ethics, strengthening the public procurement system and discussing the IACAC.
- Presentation to the Board of Directors of CASALCO. During a regular meeting of the Board of Directors, the TAG Program's Senior Technical Advisor and the Transparency National Specialist made a formal presentation of the TAG Program. They also showed examples and presented best practices from other countries in which the construction sector has taken a lead in the promotion of transparency.
- Meeting with the Fundación para el Desarrollo Sostenible de la Pequeña y Mediana Empresa (FUNDAPYME). This is a non-profit organization that promotes and supports strengthening the competitiveness of small and medium enterprises in El Salvador. Key issues discussed were, how to incorporate the vision of transparency and accountability in small and medium enterprises. FUNDAPYME was also one of the 15 organizations that met with PDC during the coalition-building mission.
- Meeting with the Fundación Empresarial para la Acción Social (FUNDEMAS) and active participation in a one-day workshop on Corporate Social Responsibility (CSR) organized by FUNDEMAS. During this workshop the TAG Program's Director and Transparency National Specialist participated. The workshop was facilitated by Mr. Allen White, one of the leading international experts in CSR. TAG Program Team members interacted and exchanged ideas with participants and FUNDEMAS staff, including with its President.
- Meeting with FUSADES' Legal Department to explore possibilities to organize a forum on the IACAC targeting business representatives and lawyers. FUSADES was also one of the 15 organizations that met with Partners for Democratic Change during the coalition-building mission.

Civil Society Sub-Grant initiative

As mentioned in the previous report, after intensive planning the TAG Program launched the first Civil Society Sub-Grant Initiative. This involved three phases:

1. Phase I: One-Day Workshop opened to all interested CSOs and NGOs

After publishing an announcement in two major newspapers for two days (February 11 & 13) inviting interested CSOs to register two of its representatives for an introductory workshop on transparency projects for February 21, the TAG Program registered more than 60 CSOs and NGOs. To make the workshop as effective as possible and to accommodate this overwhelming response (120 participants), the TAG Program had to conduct three similar workshops in three different days (February 21,



22 and 23 for 40 participants in each session). The entire TAG Program team was mobilized to ensure the success of this major event. The TAG Program designed the

workshop agenda ensuring thematic quality, value, the mainstreaming of anti-corruption issues and ensuring that most TAG Program Team members facilitated at least one workshop session.

The Workshop Program included the following areas: an introduction to conceptual and theoretical elements related to transparency and accountability; an analysis of progress and challenges in El Salvador in the area of transparency and accountability; the presentation of best practices from Colombia, Venezuela, Peru, Bolivia and Paraguay; and a session to introduce participants to the design of a transparency project, with key lessons and tips.



In addition, the workshop exposed participants to "Best Practice Fair" of nearly transparency, accountability and anti-corruption materials and publications from El Salvador and all over the region. Some of these materials and publications were distributed to participants. Moreover, the TAG Program designed an exclusive digital mini-library in a CD format with nearly 40 listings of USAID publications, anticorruption conventions. kev Salvadorian legislation, specialized reports and assessments,

manuals and links to the most important websites on the subject matter. At the end of the workshop participants were given the mini-library CD to take with them.

Judging from the evaluations, the Workshop was a huge success. A report of the workshop was prepared and posted on www.respondanet.com and on the intranet.

2. Phase II: Publicly open Sub-Grant Competition

After the workshop, the TAG Program team worked diligently and intensively on preparing the official launching of the Sub-Grant competition. It prepared the announcement for the newspaper, and the hard copy and electronic materials for the competition (e.g., terms of reference, a guide to present proposals and budgets, and 4 standard forms). The announcement was published in two major newspapers on March 20, 2006. Interested CSOs had seven days to request and receive materials in person. By March 27, the closing date to hand out materials, 62 CSOs/NGOs had received materials. Of these, more than 50% participated in the above-mentioned workshop. The deadline to present proposals is April 17.

3. <u>Phase III: Provision of Sub-Grant Package to Interested CSOs and Reception of proposals</u>

Given that this is an open competitive process, the TAG Program Team also designed and implemented a system of provision of materials and reception of proposals, which ensures transparency, equity and accountability. Each package has an Individual Identification Number (IIN) and clearly informs interested CSOs/NGOs about requirements and deadlines. To ensure fair competition, questions and inquiries made

by interested CSOs/NGOs are responded electronically and by fax ensuring full anonymity. At the request of the Director of the Guatemalan sister Program, a copy of the entire Sub-Grant Package was shared for them to replicate it.

During most of the next reporting period, the TAG Program will be involved in Phase IV of this process, which is the reception, evaluation and award of grants.

C. Sub IR 2.4: Accountability of elected and appointed officials improved

During the entire reporting period the TAG Program strategically interacted with an array of governmental and elected actors and began to explore opportunities for activities.

LLR 2.4.1: Political Party and Elected Leaders Accountability Improved

During this reporting period, the TAG Program continued to explore possibilities to initiate training activities for political leaders in El Salvador. At the request of USAID, the TAG Program made contact with the National Democratic Institute (NDI), the International Institute for Democracy and Electoral Assistance (IDEA International) and *Fundación Arias*, all of them with extensive experience in designing and implementing training modules for political parties. After verifying interest and timing, the TAG Program received in February a proposal from IDEA International and *Fundación Arias* to conduct a three-week assessment in El Salvador, gather input through interviews and use the analysis and results to design a broad and specific training program for political parties, targeting women and young leaders, as was contemplated in the 2005-2006 Work Plan.

On February 20, the proposal was submitted to USAID for review and concurrence. On March 15, the TAG Program received a written response from USAID, in which it was informed that due to drastic budget reductions for USAID/EI Salvador's Democracy and Governance Program, the TAG Program will have to be reprogrammed to meet new funding levels, and that specifically the political party component (this LLR) will be cancelled. Therefore, the proposal was rejected.

LLR 2.4.2: Accountability of appointed officials improved

One key goal for the TAG Program is to support specific Salvadorian government entities in initiatives and activities related to ethics, transparency and accountability. During this reporting period, the TAG Program has been interacting with eight key governmental organizations and programs, to plan and delineate possible areas of support. Highlights of the activities include:

1. <u>Procuraduría General de la República (PGR)/Office of the Public Defender:</u> The Head of the PGR formally requested USAID and the TAG Program to provide technical assistance in two key areas: internal controls and ethics. Towards that goal, a TAG Program Team composed of the Program's Senior Technical Advisor, Civil Society

National Specialist and Program Assistant are conducting a rapid institutional assessment of the PGR. The assessment includes semi-structured interviews to key personnel and informants, revision of literature and normative and legal frameworks and feedback from clients and users of the PGR. The assessment will have an analysis and will provide recommendations for future technical assistance. This exercise started at the end of the reporting period, and an internal report will be produced and shared with USAID and the PGR by the end of May.

2. <u>Fiscalía General de la República</u> (FGR)/Office of the Attorney General: The Acting Attorney General of El Salvador participated in the January 25, 2006 international videoconference on "Latin American Experiences in the Investigation of Corruption Cases that Transcend Borders" (see ii Other Activities). As a follow-up to the videoconference, on March 7 the TAG Program received a request from the Attorney General's Office to help them organize a summit/meeting of the Anti-corruption Prosecutors of El Salvador, Guatemala, Nicaragua and Panama. The objective of this meeting is to analyze more in-depth technical issues related to the investigation and management of corruption cases. In essence, this event was being thought as a means to reach key anticorruption technical personnel of the FGR and strengthen their knowledge and approach by exposing them to other experiences. In addition, the Attorney General's Office asked the TAG Program to invite as keynote speaker Dr. José Carlos Ugas, along with an expert on specialized anti-corruption task forces.

The TAG Program consulted with USAID and made inquiries to the Program Directors of the USAID Transparency, Anti-corruption, and Accountability Program (T/AC) in Guatemala, Nicaragua and Panama to gauge their interest and explore the possibility of sharing the cost of this event in the context of a multi-country activity. In addition, the TAG Program contacted Dr. Ugas' office and Dr. Lola Araujo, an expert in specialized anti-corruption task forces. Both, Nicaragua and Panama responded positively, as well as Dr. Lola Araujo. Unfortunately, the keynote speaker did not accept the invitation, but the TAG Program consulted with the Program Director of the USAID/AAA Project and of the USAID Anti-Corruption Project in Colombia, to explore possibilities of bringing the Attorney General of Colombia to the event to participate as keynote speaker.

The TAG Program has already sent a response letter requesting a meeting to review the original proposal and incorporate the new elements. There is no date set yet for this event, and preparation and planning are still in the initial stages. Furthermore, a new Attorney General will be selected in El Salvador during April and May. Once all of these elements are sorted out, the TAG Program will continue to explore possibilities for this event to take place sometime during the current fiscal year.

3. <u>Departamento de Reos sin Sentencia/Department of Detainees awaiting Sentence of the Corte Suprema de Justicia (CSJ):</u> The TAG Program had two working meetings. A third meeting is scheduled for the first month of next quarter. The Director of the Department expressed interest in two key areas: first, the development and implementation of transparency indicators, and second, specialized training for key personnel on ethics and transparency.

- 4. Executive Secretary for Legislative and Judicial Affairs of the Presidency: The TAG Program followed up on the meeting last quarter with the Executive Secretary for Legislative and Judicial Affairs of the Presidency to further explore future technical assistance in support of the Ethical Norms Program for Public Sector Employees of the Executive Branch, passed by Executive Order last November. Given that the March election process dominated the political arena and that there was a slight possibility for the National Assembly to pass a broader Ethics Law before May 1, the dialogue with the Presidency stalled. Nonetheless, the TAG Program suggested to the Executive Secretary for Legislative and Judicial Affairs of the Presidency an initial event, which could involve the presentation of two successful ethics programs in the region: Colombia and Puerto Rico. That suggestion is still being considered by the Presidency. In the meantime, the TAG Program has approached contacts in Colombia and Puerto Rico to explore the possibility of their participation. In both cases, there is interest.
- **5.** <u>Presidential Commissioner for the Defense of Consumers:</u> During this reporting period, the TAG Program had one additional follow-up contact with the Defense Consumers' Office. They are still working out details for a proposal.
- **6.** <u>E-Government Program</u>: On January 12, the TAG Program met with the Coordinator of the E-Government Program of the Technical Secretariat of the Presidency. In this meeting, the TAG Program informed about the activities and main programmatic areas and also received information on the status of the e-government program. There was an agreement for a follow-up meeting to determine potential areas of cooperation.
- 7. <u>Corte de Cuentas de la República/Court of Accounts:</u> On March 28, the TAG Program accompanied by USAID CTOs met with the Legal Advisor of the President of the Court of Accounts. Essentially, the next regional meeting of the *Organización Centroamericana y del Caribe de Entidades Fiscalizadoras Superiores* (OCCEFS),⁸ will take place in El Salvador October 5-6, 2006. They are expecting over 200 international, regional and national participants. The main topics of this meeting will be anti-corruption efforts, compliance with the IACAC, normative framework against corruption and best practices. The Court of Accounts is requesting the TAG Program to help them identify top-notch international speakers. All expenses will be paid by the Court of Accounts. The TAG Program is beginning to look at some options.
- **8.** <u>Superintendencia de Pensiones/Superintendence of Pensions:</u> On February 27, the TAG Program Team met with the Director (*Intendente*) of the Superintendence of Pensions and his Communication Advisor. The Superintendence was exploring the possibility of obtaining technical assistance from the TAG Program to strengthen the institutions website, as a means of generating greater access to information and

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⁸OCCEFS is a regional autonomous entity made-up by the Supreme Audit institutions of Central America and the Caribbean (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic, Cuba, and the Auditors Office of the Central American Bank for Economic Integration (BCIE).

transparency. The TAG Program requested a formal proposal to be shared with USAID and explore possibilities.

ii. Other Activities

Visit of Fundación Arias-January 12, 2006



The Executive Director and the Program Officer of the Center for Organized Participation of the *Fundación* Arias visited the TAG Program. A roundtable discussion on the activities of the *Fundación* and the TAG Program was organized. USAID CTO and the TAG Program team participated.

The Fundación Arias is a private, non-profit organization registered in Costa Rica,

founded by the recipient of the 1987 Nobel Peace Prize, Dr. Oscar Arias (now the current President of Costa Rica) for his work towards peace negotiations in Central America. The *Fundación Arias* works in three areas: 1) democracy and decentralization, 2) equality of opportunities for women, and 3) conflict management and mitigation. As related to the TAG Program, they have done a lot of work in social auditing, participatory budget, citizen participation, political party modernization and developing and expanding political opportunities for women and minorities.

This meeting was useful for the TAG Program, as it served to identify possible areas for future joint work in El Salvador and in Central America.

International Experiences in the Investigation of Corruption Cases that Transcend Borders—January 25, 2006

Thanks to the initiative of the sister program in Panama, jointly organized with Panama's Attorney General's Office and with the World Bank, an international videoconference entitled "International Experiences in the Investigation of Corruption Cases that Transcend Borders," took place on January 25th, 2006. The event was viewed simultaneously by over 300 participants in nine viewing sites, including El Salvador (also Ecuador, Guatemala, Chile, Honduras, Nicaragua, Costa Rica, Panama, and the United States). Furthermore, all five Central American Attorney Generals acted as moderators, including El Salvador's Acting Attorney General.



In El Salvador, the videoconference was viewed at the *Infocentro* of San Miguelito. The event had 30 participants representing USAID, the TAG Program team, the private sector, civil society organizations, academics, practicing lawyers and key technical personnel from the Attorney Generals Office (FGR). Judging from the evaluations, the event was a success. As mentioned above, the FGR has already requested a follow-up activity. The proceedings, final report and audio and Video CDs were all made available to participants after the event. According to the evaluation in El Salvador, the main impact of this event was that it made participants aware of successful investigative experiences, showing the complexity of these processes. Most importantly, it provided input on the capacity of investigative entities in the region to successfully investigate and sanction corruption cases.

Specialized Resource and Documentation Center

During this reporting period the TAG Program began to build a specialized Resource and Documentation Center for Transparency Issues. During this quarter emphasis was placed on documenting, collecting and organizing newspaper articles with topics relevant to the Program. Also, more than 130 materials and publications have been catalogued using the Book Collector Pro Software, and an electronic data and catalogue base was created. More than ten national organizations donated materials. The Resource Center will be launched at a special event being planned for next quarter.

iii. Achievements and Obstacles

During the Reporting Period, the TAG Program worked actively and intensively to expand its activities. Principal achievements include:

- Not having a Work Plan approved until March 2, did not impede the implementation of activities. Program's implementation has picked up pace, continued to increase and expand the level of implementation and has engaged in activities covering all of the Lower Level Results (LLRs).
- Intensified coordination with key governmental institutions and CSOs to explore
 potential technical assistance activities aimed at increasing transparency and
 accountability as well as government compliance with the IACAC.
- Initiated process of launching First Civil Society Sub-Grant Initiative, which involved an introductory training for more than 60 organizations (120 participants) on the subject of transparency projects held in February 2006 and also officially launching the competition on March 2006.
- Strategic interaction with CONADEL, the main inter-institutional entity charged with coordinating relations between national and local government, and key activities and technical assistance on target, particularly in relation to the municipal property tax law.

- Open dialogue with COMURES and various civil society organizations to design and implement training activities for newly elected local leaders in the area of ethics and transparency as well as activities to disseminate the newly passed Municipal Code, particularly in relation to its Title IX on citizen participation and transparency.
- In spite of not having a lawyer in the TAG Program team, several activities and initiatives related to LLR 1.1.1. have been launched.
- Rapid assessment for the Public Defenders Office (PGR) to determine technical assistance needs in the area of internal controls and ethics.

During the Reporting Period, the TAG Program faced the following obstacles:

- The electoral process to elect legislative and local leaders curtailed many activities.
- Lack of a strong governmental and civil society counterpart.
- Uncertainty due to recent news on budget reductions.

iv. Planned Activities for the Next Quarter by Sub-IR and LLR

Following is a list of activities that the TAG Program will prioritize during the next quarter:

SO: Ruling Justly: More Responsive, Transparent Governance

IR1 – Strengthened Rule of Law

A. Sub IR 1.1: Improved transparency and efficiency of judicial processes

LLR 1.1.1: Promoting transparency and efficiency of judicial processes

Coalition Building

Presentation of a proposal to USAID by PDC of a program that will lay the foundation for collaborative efforts on transparency issues between CSOs, which could lead to the creation of a transparency coalition in the future. Develop and implement an alternative strategy to promote coalition building.

Inter-American Convention against Corruption

Organize and implement key events in commemoration of the 10th Anniversary of the IACAC. The TAG Program will continue to finalize planning for two events with the *Foro de Jueces*. The main objective of these events would be to analyze the present compliance situation of the implementation of the IACAC in Latin American and in El Salvador and its implication for judicial practitioners and judges.

IR 2 – Greater Transparency and Accountability of Governments

A. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen's needs

LLR 2.2.1: Improved decentralization policy framework

CONADEL

The TAG Program will continue to interact with CONADEL, and will begin to support a major consultancy effort related to the passage of a municipal property tax law.

Rapid Assessment

The TAG Program will begin to implement a rapid assessment related to local transparency initiatives, to provide a programmatic framework to implement Title IX on Transparency and Citizen Participation of the New Municipal Code.

B. Sub IR 2.3: More opportunities for citizen participation in and oversight of national and local government decision-making

LLR 2.3.1: Strong civil society participation and oversight

Coalition Building

(See planned activity under LLR 1.1.1)

Civil Society Sub-Grant Initiative

Finalize competition, select, award and begin implementing grants.

C. Sub IR 2.4: Accountability of elected and appointed officials improved

LLR 2.4.2: Accountability of appointed officials improved

Procuraduría General de la República (PGR)/Office of the Public Defender:

Complete rapid institutional assessment, make the necessary recommendations, and obtain approval from USAID and the PGR to begin to implement focused technical assistance on internal controls and ethics.

II. Administrative Update

i. Staffing

- Held regular staff meetings to discuss and follow up on different issues.
- 3 month performance evaluation conducted to all national staff.
- Inventory completed and all items registered and labeled.

ii. Filing and Accounting System

- General accounting system and reports required by Ministry of Finance up to date.
- Administrative filing system nearly completed (75% advance).
- Submitted VAT claim for the 1st Quarter of FY 2006.
- Periodic filing of key documents on the Intranet.

No documents were submitted to DEC during this reporting period.